

AGENDA

Audit Committee

**Thursday, 26 September 2013 AT 10:00
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG**

Briefing Meeting

A private preparatory / briefing meeting for Members of the Committee will be held at 9.30 am in the Flensburg Room

Apologies for Absence

To receive apologies for absence and notification of substitutions

Declarations of Interest

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage

Public and Press

To agree that the items of business within Part A of the agenda should be dealt with in public; and that the items of business within Part B of the agenda should be dealt with in private

MINUTES

5 - 20

To approve and sign the Minutes of the meeting held on 22 July 2013.
[Copy Minutes in Minute Book Volume 40(2) / herewith]

PART A

To be considered when the Public and Press are present

A.1	<u>MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL</u>	21 - 36
	The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 18 July and 29 August 2013 are submitted for information. (Copy Minutes herewith)	
A.2	<u>FINANCIAL RESILIENCE 2012/13</u>	37 - 74
	The Director of Grant Thornton to present their findings from their review of the Council's arrangements for securing financial resilience. (Copy Report herewith)	
A.3	<u>AUDIT FINDINGS REPORT 2012-13</u>	75 - 108
	The Director of Grant Thornton to present their Audit Findings Report for 2012/13. (Copy Report herewith)	
A.4	<u>LETTER OF REPRESENTATION 2012-13</u>	109 - 112
	The Director of Resources to submit a report attaching the Letter of Representation for 2012/13 for approval by the Committee. (Copy Report RD.43/13 herewith)	
A.5	<u>STATEMENT OF ACCOUNTS 2012-13</u>	113 - 216
	The Director of Resources to submit a report concerning the 2012/13 Statement of Accounts. (Copy Report RD.44/13 herewith)	
A.6	<u>CODE OF CORPORATE GOVERNANCE - ACTION PLAN</u>	217 - 222
	The Director of Resources to submit a report updating Members on the Council's governance arrangements and its systems of internal control. (Copy Report RD.45/13 herewith)	
A.7	<u>INTERNAL AUDIT PROGRESS REPORT 2013-14 (NO.2)</u>	223 - 300
	The Director of Resources to submit a report summarising the work carried out by Audit Services since the previous report to the Committee on 22 July 2013. (Copy Report RD.42/13 herewith)	

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PART B

To be considered when the Public and Press are excluded from the meeting

Conservative – Earp, Mrs Mallinson, Nedved, Bowman S (sub), Craig (sub), Mrs Parsons (sub)

Labour – Mrs Atkinson, Atkinson P, Bowditch (Vice Chairman), Ms Patrick (Chairman)

Lead Committee Clerk: Morag Durham - 817036

AUDIT COMMITTEE

MONDAY 22 JULY 2013 AT 10.05 AM

PRESENT: Councillors Mrs Atkinson, Bowditch, Bowman S (as substitute for Councillor Mrs Mallinson), Earp, Nedved and Ms Patrick

OFFICERS: Director of Governance
Financial Services Manager
Chief Accountant
Audit Manager
Principal Auditor

ALSO

PRESENT: Mr Richard McGahon (Manager, Grant Thornton) – until 10.55 am

AUC.26/13 APPOINTMENT OF CHAIRMAN

The Director of Governance welcomed all those present to the first meeting of the Audit Committee in the current municipal year. He indicated that the first item of business was to appoint a Chairman for the Committee for the 2013/14 Municipal Year and sought nominations in respect thereof.

Councillor Earp moved and Councillor Bowditch seconded that Councillor Ms Patrick be appointed Chairman of the Audit Committee for the Municipal Year 2013/14.

RESOLVED – That Councillor Ms Patrick be appointed Chairman of the Audit Committee for the Municipal Year 2013/14.

Councillor Ms Patrick thereupon took the Chair.

AUC.27/13 APPOINTMENT OF VICE-CHAIRMAN

The Chairman sought nominations with regard to the appointment of a Vice-Chairman for the Committee.

The Chairman moved and Councillor Nedved seconded that Councillor Bowditch be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2013/14.

RESOLVED – That Councillor Bowditch be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2013/14.

AUC.28/13 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors P Atkinson and Mrs Mallinson; and Ms Jackie Bellard (Director, Grant Thornton).

AUC.29/13 DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted at the meeting.

AUC.30/13 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.31/13 MINUTES

The Minutes of the meeting of the Audit Committee held on 15 April 2013 were submitted.

Referring to Minute AUC.21/13, the Chairman noted that the Manager (Grant Thornton) had undertaken to extract reports on emerging issues for circulation to Members of the Committee.

In response, the Manager (Grant Thornton) said that he would address the matter.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 15 April 2013 be agreed as a correct record and signed by the Chairman.

AUC.32/13 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5 March, 4 April and 6 June 2013 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5 March, 4 April and 6 June 2013 be noted and received.

AUC.33/13 AUDIT PLAN 2012/13

The Manager (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended 31 March 2013. The contents of the report related only to the matters which had come to Grant Thornton's attention, which they believed needed to be reported to the Committee as part of the audit process. It was not a comprehensive record of all the relevant matters, which may be subject to change, and in particular they could not be held responsible for reporting all of the risks which may affect the Council or any weaknesses in its internal controls.

By way of assistance for new Members of the Committee, the Manager (Grant Thornton) began by summarising the differences in terms of the approach adopted by Grant Thornton as opposed to that of the Audit Practice. In previous years the Audit Committee had received the Audit Plan, followed by the results of interim audit work at a later meeting, whereas Grant Thornton produced one plan encompassing both elements.

A key element of the audit was gaining an understanding of the challenges and opportunities faced by the client (i.e. the Council), a summary of which was provided. In addition, Grant Thornton also considered the impact of key developments in the sector and took account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

The Manager (Grant Thornton) informed Members that the Plan was based on a risk-based approach to audit planning. He explained in some detail the definitions of the level of risk (significant; other; none) together with the associated work as set out within the report.

The Manager also set out Grant Thornton's approach to identifying audit risks and had considered the additional risks relevant to the current audit of the accounting statements, details of which were provided.

There were two presumed significant risks applicable to all audits under Grant Thornton's audit approach, namely: the revenue cycle included fraudulent transactions; and management over-ride of controls. Details of the other reasonably possible risks were also provided.

Turning to the interim audit work undertaken the Manager summarised the overall conclusion that:

- Internal Audit - the Internal Audit Service continued to provide an independent and satisfactory service to the Council and that Grant Thornton could take assurance from their work in contributing to an effective internal control environment at the Council;
- Walkthrough testing - no significant issues were noted and in-year internal controls were observed to have been implemented in accordance with their documented understanding; and
- Journal entry controls - Grant Thornton would complete their journals testing at the final accounts visit. They had no issues to report at this time;
- Review of information technology (IT) controls - no significant issues were noted. IT controls were observed to have been implemented in accordance with their documented understanding. Areas for improvement had been separately communicated to the Digital Information Service (DIS).

The Manager added that Grant Thornton was required to give a statutory value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Members would notice a change this year with a separate report on financial resilience. The conclusion this year would be based on two criteria, specified by the Audit Commission.

In conclusion, the Manager (Grant Thornton) drew attention to details of Grant Thornton's team; their fee; independence and ethics.

In response to Members' questions, the Manager (Grant Thornton) said that

- Whole of Government Accounts (WGA) were effectively the accounts for the public sector as a whole and were audited by the National Audit Office (NAO). The Council was required to submit a WGA pack on which Grant Thornton would provide an opinion. The type of audit being determined by the size and scale of the body in question. Problems had arisen this year around the Council obtaining the return document for completion.

- Investment income was not material to the Accounts and would not be looked at unless a major problem arose.
- Significant risks (page 11) were standard risks which Grant Thornton included in every Audit Plan.
- Unusual significant transactions (page 11) related to instances where a transaction did not appear as expected. Work was done to identify a valid reason / evidence to demonstrate that the transaction was correct, an example being a legitimate non-cash exchange recorded in the Council's assets. There was no strict definition of "unusual".
- The Committee could gain assurance from the fact that the audit standards had not changed and therefore future audits should be undertaken in similar depth to previous years.
- Grant Thornton adopted a standard approach in terms of presentation of their reports (power point presentations). Comments had been raised in terms of the font size, which he had already fed back.

A Member expressed concern that the Council had funded roofing works to a Hotel within the City and would not get that money back.

In response, the Manager (Grant Thornton) explained that the Council would, on an annual basis, assess the likelihood of recouping debts. A judgement would then be made as to whether or not the debt in question should be written off.

The Financial Services Manager added that a global calculation on the level of debt was undertaken at the year end with assumptions made regarding the level of bad debt provision based upon the age of the debt.

RESOLVED – (1) That the Audit Plan for 2012/13 be noted and received.

(2) That the Audit Committee acknowledged the slight change in emphasis in terms of substantial testing and Value for Money as outlined by the Manager (Grant Thornton).

AUC.34/13 FEE LETTER 2013/14

The Manager (Grant Thornton) presented the Audit fee letter for 2013/14.

The Manager outlined details of the audit fee for the Council, pointing out that:

- the scale fee for 2013/14 had been set by the Audit Commission at £70,153 i.e. the same as the audit fee for 2012/13; and
- the grant certification fee had been set at £17,200.

Details of the scope and timing of the work, Value for Money conclusion and details of the Team were also provided.

RESOLVED – That the Audit Committee noted and received the Audit fee letter for 2013/14.

AUC.35/13 GRANT THORNTON – GRANT CERTIFICATION WORK PLAN FOR 2012/13

The Manager (Grant Thornton) presented their Grant Certification Work Plan for 2012/13.

The Manager outlined the approach adopted in terms of grant certification work, commenting that the certification arrangements were designed to be proportionate to the claim or return. He also gave an explanation of the arrangements for 2012/13 as detailed at page 3 of the report. It should be noted that every third year a full detailed review was required of claims such as National Non Domestic Rates (NNDR).

Referring to the claims history, the Manager (Grant Thornton) added that the most significant claims and returns in 2011-12 were the Housing and Council Tax Benefit claim; and National Non-Domestic Rates return. He assured the Committee that those had been provided on time this year.

A certificate was issued following Grant Thornton's work on each claim or return, the wording of which was dependent on the level of work performed. The certificate also stated that the claim had been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the Council; or
- with a qualification letter (with or without agreed amendments incorporated by the Council)

The Manager (Grant Thornton) added that virtually all authorities would receive a qualification on their housing and council tax benefit claim; and he anticipated that the City Council's national non-domestic rates return would be relatively smooth.

The Chairman thanked the Manager (Grant Thornton) for his very helpful input.

RESOLVED – That the Grant Certification Work Plan for the year ended 31 March 2013 be noted.

The Manager (Grant Thornton) then left the meeting.

AUC.36/13 ANNUAL GOVERNANCE STATEMENT 2012/13

The Financial Services Manager submitted report RD.22/13 providing the City Council's Annual Governance Statement for 2012/13. She informed Members that the draft Annual Governance Statement had been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, by 30 June 2013 and would be formally approved following completion of the audit process at the end of September.

There was only one area of significant weakness in the Council's Governance arrangements which needed to be brought to the attention of Members, details of which were included within the Statement.

There were no other areas of weakness which needed to be brought to Members' attention at this time.

The Council's Code of Corporate Governance had been reviewed by Officers and there were no changes required to the Code previously approved in 2008.

The Financial Services Manager advised that, in accordance with established practice, an Action Plan would be prepared and monitored with an updated status report provided to Members of the Committee on a quarterly basis. The specific issue would also be subject to a formal follow up audit by the Internal Audit Team which again would be reported through the Audit Committee.

There were no new areas of risk arising from the Audit Reviews or from the Risk Registers which required to be drawn to Members' attention.

In response to Members' questions, the Financial Services Manager advised that:

- the target date for resolution of the significant governance issue (regarding the internal monitoring of Council key contracts) identified was January 2014. Completion of the Action Plans to address the weaknesses would be subject to a formal audit follow up during 2013/14; and would be reported to and closely monitored by the Audit Committee
- the Committee would receive a Corporate Governance Action Plan at its September 2013 meeting

RESOLVED – (1) That the Audit Committee noted the content of the 2012/13 Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts.

(2) That the Committee looked forward to receiving the Corporate Governance Action Plan at its September 2013 meeting.

AUC.37/13 STATEMENT OF ACCOUNTS 2012/13

The Chief Accountant presented in some detail report RD.23/13 enclosing the Council's Statement of Accounts 2012/13 which had been certified by the S.151 Officer in accordance with statutory requirements by 30 June 2013. They would now be subject to audit, which must be concluded by the statutory deadline of 30 September 2013. He added that the Accounts reflected the summarised financial outturn information recently considered by the Executive and Resources Overview and Scrutiny Panel.

However, because of the different way in which the Accounts must be produced, it was very difficult to see outturn figures within the Income and Expenditure Account. A reconciliation between the outturn figures and the net operating expenditure on the Income and Expenditure Account had therefore been prepared and was attached for information at Appendix 1.

At the meetings of the Audit Committee on 14 January and 15 April 2013, the Director of Resources had reported that no significant changes would be required to the Accounts for 2012/13.

As part of the Council's training programme, a training session had taken place on 15 July 2013 for Members (and substitutes) of the Audit Committee on the role of the Audit Committee and scrutiny of the Statement of Accounts process. Key issues and the practical implications for scrutinising the Statement of Accounts were provided.

The Annual Governance Statement which formed part of the Annual Statement of Accounts was presented at Appendix 2. It was a requirement of the 2012 Code that the Annual Governance Statement be considered and approved separately.

The Chief Accountant then drew Members' attention to the key issues within the Statement of Accounts, details of which were provided at Section 4 of the report. He explained in some detail the main items of note:

- Comprehensive Income and Expenditure Statement (CIES) (as detailed on page 109 of the Agenda Document Pack) – an increase of £6.236 million over the previous year, the majority of which could be explained as a result of downward revaluations being charged to the CIES services;
- The Balance Sheet (as detailed on pages 110 / 111) – overall, the Council's net worth on its Balance Sheet had decreased from £129 million in 2011/12 to £108.5 million in 2012/13. That could, however, be explained by the movement (£8.8 million) on the Pension Fund valuation which was a notional entry and was held both as a liability and a reserve.
- Movement in the level of provisions held by the Council during 2012/13 (as detailed on page 169), one significant item being an initial provision of £175,000 to cover Municipal Mutual Insurance (MMI) liabilities.

In considering the report Members raised the following issues:

A Member sought clarification as to why other heritage assets, some of which were significant, were not included in the balance sheet (page 157 of 420 referred).

In response, the Chief Accountant advised that the Council owned other items which were classified as heritage assets, but which did not hold a valuation and for which it would not be cost effective to obtain a valuation. Those included the Mayoral picture gallery, together with various pictures, sculptures and paintings located on the first floor of the Civic Centre.

He added that consideration was being given to a full valuation being undertaken on all assets during 2013/14; and that a Fine Arts Insurance Policy was now in place for the collections kept at Tullie House.

A Member sought clarification of the background to the Rickergate Properties Ringfenced Account (page 170 of 420 referred).

The Chief Accountant explained that the provision had previously been held as a credit and represented the net income from properties purchased in Rickergate with funds from the North West Development Agency, which had disbanded.

The Homes and Communities Agency had now taken over control of the scheme and had informed the Council that the income did not need to be repaid to it as was previously the case; and, subject to their approval, could be used to fund any future costs on the scheme.

Referring to income relating to the administration and payments of benefits (page 127 of 420 referred), the Chairman noted a £1½m fluctuation in the figures and questioned where that money went.

In response, the Chief Accountant outlined the process followed i.e. the Council received grant payments from central Government based upon estimates submitted; a mid-year re-estimate was undertaken to identify what had changed; followed by a final claim at the end of the year. An adjustment to the figures was always required.

Turning to the Accumulated Absences Account (page 173 of 420 referred), the Chairman queried whether that had increased substantially since the previous year.

The Chief Accountant replied that annual leave entitlement in excess of five days / flexi time balances could only be carried forward with the permission of senior management. It was a notional entry in the Accounts.

RESOLVED – That the Audit Committee:

- (1) Noted the 2012/13 Statement of Accounts, which had been certified as giving a true and fair view by the Director of Resources, and would now be subject to audit.
- (2) Noted that the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2011.

The Chief Accountant submitted the following reports for information:

(a) Provisional General Fund Revenue Outturn 2012/13

Report RD.12/13 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances. The outturn showed that the net underspend for Council services as at 31 March 2013 once committed expenditure totalling £696,400 and £312,697 transfers were taken into account, was £75,247. A request had been made to transfer £250,000 to the Transformation Reserve which, if approved, would result in a final underspend to the Council in 2011/12 of £11,459.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 31 May and 6 June respectively and the decisions were set out in Minutes EX.48/13 and ROSP.39/13.

(b) Provisional Capital Outturn 2012/13 and Revised Capital Programme 2013/14

Report RD.11/13 summarising the 2012/13 provisional outturn for the capital budget and providing details of the revised capital programme for 2013/14. The outturn showed that the net underspend for Council services as at 31 March 2013 once committed expenditure totalling £1,822,500 was taken into account was £1,596,953.

He added that requests for carry forwards for new items of expenditure totalling £6,200 had been made, and also the removal of the Asset Management Plan expenditure budgets of £1,546,800 from the capital programme, which would change the underspend to £43,953.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 31 May and 6 June respectively and the decisions were set out in Minutes EX.49/13 and ROSP.40/13.

The Chief Accountant and the Director of Governance responded to Members' questions in relation to underspends and the Sheepmount Reserve.

RESOLVED – That Reports RD.12/13 and RD.11/13, together with the references from the Executive and Resources Overview and Scrutiny Panel, be noted.

AUC.38/13 TREASURY MANAGEMENT OUTTURN 2012/13

The Chief Accountant submitted the Annual Report on Treasury Management (RD.13/13). He informed Members that the report was required under both the Financial Procedure Rules and CIFPA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2013 - 31 March 2013 was also submitted.

The Chief Accountant outlined developments in the Money Markets over the previous 12 months and their effect on the Council's investments, together with the various performance statistics included within the report.

Members' attention was then drawn to the outstanding investments as at 31 March 2013, as detailed on pages 19 and 20 of the report.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 31 May and 6 June 2013 respectively and the decisions were set out in Minutes EX.50/13 and ROSP.41/13.

A Member reiterated concerns previously raised at Council with regard to the Asset Review Disposal Programme and whether assets would achieve best value for the Council.

In response, the Chief Accountant stated that the issue would be addressed under monitoring of the capital programme. Prior to disposal / purchase of new assets the Director of Resources required to report through the Committee system. Receipts could also be used to minimise the impact on Council Tax payers.

The Financial Services Manager added that Members could gain a level of assurance from Treasury Management Reports submitted to the Committee on a regular basis. Reports submitted to the Executive / Overview and Scrutiny as part of the budget process were the other mechanism.

The Chairman recognised that the Minimum Revenue Provision (MRP) was complex and difficult to understand, and asked whether the Committee could receive a briefing note on the matter.

The Director of Governance felt that it would be beneficial for Members to receive training related Briefing Notes as matters progressed.

The Chief Accountant undertook to provide a Briefing Note as requested.

In response to a request for clarification, the Chief Accountant drew attention to the Investments Summary Sheet, explaining the criteria as suggested by Sector (the Council's treasury advisors).

Turning to the list of outstanding investments as at 31 March 2013, a Member noted the significant sum attributed to HSBC Bank was £1,740,000, the rate of return being very low.

In response, the Chief Accountant explained that in addition to long-term investments the Council also had money on deposit over night in order that it was readily available if needed.

RESOLVED – (1) That the Committee had considered Report RD.13/13 and noted the good performance, in terms of investments, in light of the current economic context as detailed therein.

(2) That the Committee wished to place on record their thanks to the Chief Accountant and members of staff involved.

AUC.39/13 TREASURY MANAGEMENT COUNTERPARTIES

The Chief Accountant submitted report RD.08/13 concerning Treasury Management Counterparties.

The Chief Accountant reminded Members that the Treasury Management Strategy for 2013/14 had been approved by Council on 5 February 2013. However, since that date average investment balances had increased as a result of asset sales, in addition to which there had been significant changes to investment return interest rates.

As a result of the above the City Council had, on 16 July 2013, approved amended investment counterparty limits, as outlined at Appendix A and set out in paragraph 2.7 of the report.

RESOLVED – That the Audit Committee noted the content of Report RD.08/13.

The meeting adjourned at 11.40 am and reconvened at 11.47 am

AUC.40/13 INTERNAL AUDIT PROGRESS REPORT 2013-14 (NO. 1)

The Audit Manager (Carlisle City) submitted report RD.26/13 summarising the work carried out by Internal Audit since the previous report to Committee on 15 April 2013 and detailing progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.

The Audit Manager reminded Members that the 2013/14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15 April 2013 (Report RD.06/13

referred). The current position of the Plan up to the end of June 2013 was illustrated at Appendix A for Members' assistance.

The Plan called for 540 direct audit days to be delivered in 2013/14. 114 days (21%) had been delivered in the first quarter period. Details of the areas upon which time had been spent were provided.

Members were asked to note the progress made against the agreed 2013/14 Audit Plan in quarter 1.

Referring to the Audit of Customer Services, the Audit Manager (Carlisle City) reported that it had been anticipated that the review would be completed in the first quarter of 2013/14 and ready for report to the Committee. That had not, however, been possible due to delays in agreeing a start date in Customer Services as a result of other work pressures in that service area. That review was now in progress and it was expected to be completed and ready for report in September 2013.

The Chairman noted the delay in submission of the report and sought an assurance that would not happen again.

The Audit Manager (Carlisle City) replied that it was her recollection that it had taken some time to finalise the initial review, which work had just missed the reporting deadline of a previous meeting. The intention of this current review was to review previous findings to provide an up to date assurance evaluation. She took on board the Chairman's point regarding the delay.

A Member noted that 70 days had been devoted to high risk reviews during Quarter 1 and questioned whether sufficient days remained going forward.

In response, the Audit Manager (Carlisle City) emphasised that the Audit Plan was risk based. She referred Members to Appendix A which detailed the list of high risk reviews, commenting that the focus was on high risk reviews at this time of the year.

Turning to the matter of previous Audit Recommendations, the Audit Manager (Carlisle City) reported that a revised follow up system was now in operation utilising Covalent, the corporate performance management system. That revised system placed the onus upon Managers to feedback on the action which they had taken to effectively address each audit recommendation for which they were assigned responsibility to implement, within the timescales defined in the action plan.

A report on the position of all follow ups of previous audit recommendations monitored via Covalent would be prepared for the September meeting of this Committee.

Audit reviews which resulted in partial or limited assurance evaluations were followed up in detail by Internal Audit. There were 5 'partial' audit reviews from 2012/13 which had been incorporated into the 2013/14 Plan for formal follow up audits to be undertaken; 3 of which were currently being progressed and the outcome of each would be reported to a future meeting of the Committee.

The Audit Manager (Carlisle City) further indicated that there were 8 audit reports for consideration by Members at this time. Guidance on the grading of audit

recommendations, the audit follow up procedure and audit assurance ratings was attached at Appendix C.

In particular, she drew Members' attention to the following key points:

- Audit of IT Service Desk, Incident and Problem Management – Recommendations R1 (there is currently a lack of documented procedures); R3 (the level of information recorded for calls is inconsistent); and R5 (there is currently no formal Change Management process in place).
- Audit of Debtors - Recommendations R1 (no specific monitoring existed corporately to ensure that persistent bad debtors are prevented from obtaining further credit from the Council); and R5 (invoices are not being raised within 14 days of supply and on occasion there is insufficient detail contained within the invoice description)
- Audit of Payroll – Recommendation R6 (leavers forms were not complete)

Members raised the following issues during their consideration of the Audit Reviews:

Audit of IT Service Desk, Incident and Problem Management

The Chairman noted that certain of the recommendations required to be actioned by 31 March 2014 and questioned why it should take such a long time.

In response, the Audit Manager (Carlisle City) advised that the action date was determined by the responsible Officer who would require to put arrangements in place to address the recommendations and formalise the same.

The Director of Governance added that the Audit of IT had been undertaken during the Shared Service with Allerdale Borough Council which had effectively now come to an end. City Council Officers may have more direct management control going forward.

A Member expressed concern regarding problems with IT security and asked whether those issues had now been addressed.

The Audit Manager (Carlisle City) replied that training on IT security had recently been undertaken, in addition to which work had been done to ensure that people have the correct access controls. No concern had been raised in terms of security arrangements and she was not aware of any recent breaches in IT security.

Audit of Income Management

The Chairman noted that many of the recommendations required to be actioned by the end of the month (July 2013) and questioned whether that was reasonably achievable.

The Audit Manager (Carlisle City) advised that she had been in discussions with the Customer Services Manager who was in the process of implementing the recommendations attributable to her. Progress would be followed up in the next Internal Audit Progress Report of that service area.

Audit of Debtors

The Financial Services Manager pointed out that the first part of Recommendation R1 (not to allow those with invoice arrears to continue to receive Council services) required to be looked at on a case by case basis upon request.

In response to a question, the Financial Services Manager advised that training would be provided on the areas of budgetary control; debtors; creditors, and supplemented by e-learning packages.

In conclusion, the Audit Manager requested that Members receive the report and note progress against the agreed 2013/14 Audit Plan.

RESOLVED – (1) That report RD.26/13 be received and progress made against the agreed 2013/14 Audit Plan referred to in Section 2 be noted.

(2) That the position of the Customer Services Review, as detailed in Section 3, be noted; and Internal Audit should give consideration to providing an interim report to the Audit Committee where such significant delay as attributable to the Customer Services Audit may occur.

(3) That the position on the follow up of previous audit recommendations, as outlined in Section 4, be noted.

(4) That the Audit Committee received the 8 completed audit reports referred to in Section 5 and attached as Appendices C – J to the report, subject to:

- Audit of IT Service Desk, Incident and Problem Management - the change management procedures being implemented in a timely manner.

AUC.41/13 INTERNAL AUDIT OUTTURN REPORT 2012/13 AND REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT SERVICES

The Audit Manager (Carlisle City) submitted report RD.25/13 summarising the work carried out by the Internal Audit Shared Service for the year 2012/13, together with the annual audit opinion on the adequacy of the control environment for that period. Also provided was information on the effectiveness of Internal Audit in the format agreed by the Audit Committee on 23 January 2007.

She explained that the report should be considered in three parts – 2012/13 Outturn; adequacy of Internal Control 2012/13; and Review of Effectiveness of Internal Audit.

The Audit Manager summarised the 2012/13 outturn, informing Members that the Audit Plan called for 540 direct audit days and a further 19 days were purchased to support unplanned work. A total of 559 audit days had been delivered in year by the Shared Internal Audit Service.

Details of changes to planned work, completed audits and material audit reviews were also provided.

The Audit Manager drew Members' attention to Section 3 of the report which summarised details in relation to the adequacy of internal control during 2012/13. Based on the

breadth and depth of the work undertaken by Internal Audit during 2012/13 and the additional supporting information provided, Internal Audit was of the opinion that the Authority's system of internal control was operating satisfactorily, and that opinion should be reflected in the Annual Governance Statement.

The Audit Manager then outlined details of completed audit reviews and key areas of significance for 2012/13. Referring to section 3.7.1, she also highlighted to Members the current position concerning the Audit of Creditor Payments and the Audit of ICT Service Continuity, neither of which affected the overall opinion referred to in Section 3.5 of the report.

Members noted that training on Counter Fraud awareness and reporting arrangements had not taken place in year, and that fraud awareness training had been raised as a matter for report in last year's annual report. They sought an assurance that the matter would not be an issue next year.

The Director of Governance advised that training had been made available but the problem had been around uptake. Officers were working to specifically target key officers via e-learning.

Discussion arose as to whether the matter could be addressed as part of the Appraisal process; whether appraisals were audited and the mechanisms in place to ensure confidentiality.

The Director of Governance advised that currently Team appraisals were undertaken but the process was moving towards individual appraisals.

The Audit Manager (Carlisle City) added that the appraisal system had not been audited.

Turning to the review of the effectiveness of Audit Services 2012/13, the Audit Manager (Carlisle City) stated that the Internal Audit Shared Service complied with the CIPFA Code of Practice for Internal Audit in Local Government and assessed its arrangements on an annual basis. It was therefore appropriate for the Committee to receive the 2012/13 assessment, noting the local arrangements in place for Carlisle City (Appendix C).

It should be noted that the Public Sector Internal Audit Standards became mandatory for all internal audit service providers within the public sector from 1 April 2013. The Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006) as 'proper audit practices' as required by the Accounts and Audit Regulations 2011. Future reviews of Internal Audit would be undertaken to ensure conformance to the Public Sector Internal Standards.

A key in year improvement to the Internal Audit Service provided at Carlisle City was the introduction of Client Evaluation forms. The draft evaluation form was considered by the Audit Committee on 26 September 2012 (RD.37/12 referred) and it was agreed that a summary of completed client feedback would be considered alongside the effectiveness of internal audit CIPFA Checklist referred to. The Shared Internal Audit Service would consider the findings within the planned work streams for improvement to be undertaken in 2013/14 as part of its own evaluation of service delivery against the next Public Sector Internal Audit Standards.

In conclusion, the Audit Manager reported that overall it was considered that the Internal Audit Shared Service had delivered an effective service in 2012/13. Delivery of Internal Audit through the Shared Service arrangement continued to directly benefit the Authority and its position and role had been greatly strengthened, allowing the service to be more resilient as a result.

Referring to section 3.8.5, a Member noted that the National Fraud Initiative was a data matching exercise led by the Audit Commission, the last completed exercise being 2010/11. He questioned whether that was undertaken each year.

In response, the Audit Manager (Carlisle City) advised that the current data returned related to 2012/13 and there were approximately 700 matches to work through.

On the issue of client evaluation forms the Member noted that only 7 forms had been returned which was a small response rate.

The Audit Manager (Carlisle City) explained the analysis undertaken, commenting upon the need to encourage people to response.

RESOLVED – (1) That Report RD.25/13 be received, and the outturn position for 2012/13 and progress made against the Strategic Audit Plan be noted.

(2) That the opinion provided on the adequacy of the control environment be noted, subject to:

- the concerns raised by Members (detailed above) regarding the need for training on counter fraud / fraud awareness; and
- the assurance provided that key staff would be specifically targeted, including via e-learning packages

(3) That the Committee noted and agreed the information relating to the effectiveness of Audit Services.

PUBLIC AND PRESS

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph numbers (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

AUC.42/13 OUTCOME OF INTERNAL INVESTIGATION

(Public and Press excluded by virtue of Paragraphs 1 and 3)

The Audit Manager (Carlisle City) submitted report RD.27/13 concerning the outcome of an internal investigation undertaken in 2012/13.

She outlined, in some detail, the key matters / concerns arising in relation to what had been a complex investigation, details of which were set out within the report.

The Director of Governance, the Financial Services Manager, and the Audit Manager (Carlisle City) then responded to Members' questions and concerns, including the need to ensure that lessons were learnt going forward; all of the improvements suggested (including enhancement of existing control mechanisms) and any gaps in line management procedures were addressed; and adherence to the Officer Code of Conduct.

RESOLVED – That the Audit Committee noted the content of private Report RD.27/13 and was reassured that the matters concerning internal control and management of funding would be addressed through the Audit Reports scheduled for submission to the Committee at their September 2013 meeting.

AUC.43/13 CHAIRMAN'S COMMENTS

The Chairman thanked Members, and particularly new Members of the Committee, for their attendance at the meeting today.

[The meeting ended at 12.50 pm]

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 18 JULY 2013 AT 10.00AM

PRESENT:	Councillor Watson (Chairman) Councillors Atkinson K, Betton (from 10.35am), Bowman S, Craig, Forrester (as substitute for vacancy) Layden and McDevitt.
ALSO PRESENT	Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder Councillor J Mallinson – Observer Alex Sargeson - Student
OFFICERS	Town Clerk and Chief Executive Director of Resources Organisational Development Manager Scrutiny Officer

ROSP.46/13 APOLOGIES FOR ABSENCE

No apologies for absence were submitted.

ROSP.47/13 DECLARATIONS OF INTEREST

There were no declarations of interest in respect of the business to be transacted at the meeting.

ROSP.48/13 CALL-IN OF DECISIONS

There were no items which had been the subject of call-in.

ROSP.49/13 WELCOME

The Chairman welcomed Alex Sargeson, a Politics student from Leicester University to the meeting.

ROSP.50/13 MINUTES OF PREVIOUS MEETING

RESOLVED – That the minutes of the meetings held on 4 April 2013 and 6 June 2013 be agreed as a correct record of the meeting and signed by the Chairman.

ROSP.51/13 OVERVIEW REPORT AND WORK PROGRAMME

The Scrutiny Officer presented report OS.17/13 which provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel's work.

The Scrutiny Officer reported:

- The Notice of Key Executive Decisions had been published on 5 July 2013 and the following issues fell within the remit of the Panel:

KD.010/13 – Medium Term Financial Plan (including the Corporate Charging Policy) and the Capital Strategy 2014/15 to 2019/20

KD.012/13 – Asset Management Plan 2013 to 2018

Both items would be available for scrutiny on 29 August 2013.

KD.017/13 – Asset Review Business Plan Reinvestment Property Acquisition – This item was a request for the release of funding, the decision would be taken by the Executive on 5 August 2013.

Members did not raise any questions or comments on the items contained within the Notice of Key Decisions.

- The following references from the Executive at their meeting on 31 May 2013 had been circulated:

EX.48/13 – Provisional General Fund Revenue Outturn 2012-13

EX.49/13 – Provisional Capital Outturn 2012-13 and Revised Capital Programme 2013-14

EX.50/13 – Treasury Management Outturn 2012-13

EX.51/13 – Provisional Outturn for Council Tax and NNDR 2012-13

EX.52/13 – Elected Members' Allowances – Provisional Outturn 2012-13

- The following references from the Executive at their meeting on 1 July 2013 had been circulated:

EX.67/13 – Treasury Management Counterparties

EX.74/13 – 2012/13 Summary of Service Standards

- The Work Programme was attached to the report. The Significant Partnership report would be considered by the Panel at its meeting on 29 August 2013.

The Chairman reminded the Panel of the Saving Paper Task and Finish Group and the move towards paperless meetings. He raised concerns regarding the amount of paper which had been sent out for the Council meeting on 16 July. He felt that the Group should reconvene to discuss potential areas to make savings and include the Town Clerk and Chief Executive and ICT Connect.

The Finance, Governance and Resources Portfolio agreed that more work could be done to reduce the paper within the authority and make further savings. He thanked ICT Connect for their support in signing Members up to paperless meetings and for the informative session they held on tablets.

Members agreed that the amount of paperwork sent to Members made it difficult to absorb all of the necessary information and make comment on it. They felt that the information which Members had to receive could be compacted so Members could keep up to date with the information.

The Town Clerk and Chief Executive acknowledged that there must be more effective ways of communicating information to Members and agreed to look at the issue further if Members so required it. He added that work could be done to find ways of making the information more accessible and useful to assist Members in decision making and separating the information relevant to their roles.

In response to a Member's concerns the Director of Resources explained that the City Council had a robust business continuity plan in place which covered any potential issues with IT failure.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to this Panel OS.17/13 be noted.

2) That the following Key Decisions be considered by the Panel at their meeting on 29 August 2013:

KD.010/13 – Medium Term Financial Plan (including the Corporate Charging Policy) and the Capital Strategy 2014/15 to 2019/20

KD.012/13 – Asset Management Plan 2013 to 2018

3) That the following Minute Excerpts from the Executive be noted:

EX.48/13 – Provisional General Fund Revenue Outturn 2012-13

EX.49/13 – Provisional Capital Outturn 2012-13 and Revised Capital Programme 2013-14

EX.50/13 – Treasury Management Outturn 2012-13

EX.51/13 – Provisional Outturn for Council Tax and NNDR 2012-13

EX.52/13 – Elected Members' Allowances – Provisional Outturn 2012-13

EX.67/13 – Treasury Management Counterparties

EX.74/13 – 2012/13 Summary of Service Standards

4) That the Saving Paper Task and Finish Group be reconvened to monitor recommendations and investigate further savings.

ROSP.52/13 2012/13 END OF YEAR SICKNESS ABSENCE REPORT

The Town Clerk and Chief Executive submitted report CE.06/13 which set out the authority's sickness absence levels for the period April 2012 to March 2013, the trends through 2012/13 and other sickness absence related information.

The Town Clerk and Chief Executive reported that the full time equivalent (FTE) sickness absence recorded in 2011/12 had been the highest experienced by the authority in five years. As a consequence efforts had been made to address the increasing levels of absenteeism and a Lean Systems Review of the sickness absence was also initiated and managers were provided with further support to help reverse the trend.

The 2012/13 annual sickness absence level had reduced by 18% to 9.06 working days lost per FTE employee compared to 2011/12. The reduction could be attributed to four out of six directorates experiencing a reduction in absenteeism and nearly 550 less FTE days being lost to short term absences and 870 less days lost to long term absences. A full break down of the sickness absence levels for 2012/13 had been included in the report as appendix A.

The Town Clerk and Chief Executive informed the Panel that previous sickness figures had not included the shared Revenues and Benefits Service due to significantly higher absences in the group that had been TUPE'd from Copeland and Allerdale Councils. The Human Resources team had worked closely with managers in the service and as a result the figures were consistently on par with the rest of the authority and were included in the 2012/13 absence figures.

The Town Clerk and Chief Executive gave details on the reasons for the absences which were primarily musculo-skeletal related problems. Further analysis was required into the causes of the problems but only one in seven of employees absent with the symptoms had been seen by Occupational Health. It was also worth noting that nineteen other employees had been referred to a physiotherapist without being absent from work.

He highlighted that 96% of Return to Work Interviews had been conducted for absences occurring in 2012/13 which represented a significant improvement on previous years. The main reasons that the Interviews had not been completed was either because the employee had left the authority before returning to work or the employee had gone off sick again before the interview had been completed.

The report had included a graph showing the trend in the number of days lost to sickness absences that had resulted from accidents occurring whilst the employee was at work. The graph showed an overall downward trend but, due to the workforce size and total days lost to sickness absence decreasing, the proportion of the days lost caused by work related accidents was actually increasing.

The Town Clerk and Chief Executive detailed the actions which had been carried out to improve the sickness absence including the Lean Systems Review and a revamped Attendance Management Policy and Procedures document. He also highlighted a number of actions which were still to be completed which included additional work on Trent and additional reporting on physiotherapy, occupational health and counselling.

In considering the Sickness Absence Report Members raised the following comments and questions:

- Had the benchmarking been carried out?

The Town Clerk and Chief Executive explained that the information was being compiled. He added that it would be helpful for the authority to compare absenteeism against organisations in general and not just local authorities. He agreed to circulate the information to Members.

- Had any consideration been given to bonuses for staff who did not have any sickness absence or incentives for staff to reduce sickness?

The Town Clerk and Chief Executive confirmed that discussions regarding incentives had taken place in the past. It was felt that the incentive for work was the salary. He thought that ensuring that the work place was an enjoyable place where staff had a clear sense of purpose and supportive management would have a positive effect on sickness and was a long term gain for the authority. He acknowledged that incentives may also make staff come to work when they were ill and he did not want this to happen.

- Had there been any further analysis of the increase in the 'other musculo-skeletal' sickness absence and why had only 1 in 7 been referred to Occupational Health??

The Director of Resources highlighted the increase in long term absence in the Resources Directorate. He explained that these absences were due to 4 long term absences recorded as other musculo-skeletal and they accounted for the rise in absence recorded under that reason. Three of the staff had returned to work and one member of staff had

retired on ill health. The return of the staff would be shown in next year's absence figures as reduction in the other musculo-skeletal reason.

- Was the authority confident that the reasons for absence were being recorded correctly? In particular, were staff declaring whether stress related absence was work related or not?

The Town Clerk and Chief Executive had no reason to be concerned that staff were not completing the reasons for absence correctly.

- Was there any evidence available that showed that Occupational Health referrals were working?

The Director of Resources reminded that Panel that absence levels had been particularly high approximately 8 years ago. As a result a number of measures had been introduced including a robust Occupational Health referral system which resulted in the absence figures reducing dramatically.

The Town Clerk and Chief Executive suggested that the Occupational Health provider be invited to a future meeting to discuss the work being undertaken and the benefits of the service.

- Would the transfer of the Highways staff to the County Council affect the sickness absence figures?

The Town Clerk and Chief Executive responded that it was reasonable to expect that the reduction in manual staff would impact on the sickness absence figures.

RESOLVED – 1) That the 2012/13 end of year sickness absence report (CE.06/13) be noted.

2) That the Town Clerk and Chief Executive circulate the benchmarking information to Members.

3) That the Occupational Health provider be invited to a future meeting of the Panel to discuss the impact of the service on absence figures.

ROSP.53/13 ORGANISATIONAL DEVELOPMENT PLAN REPORT

The Organisational Development Manager presented the end of year 2012/13 Organisational Development Plan (CE.07/13).

The Organisational Development Manager reminded the Panel of the background to the Organisational Development Plan which had been included in the report as Annex A. She highlighted the progress made against each priority drawing attention to the Employee Opinion Survey, the Leadership Development Programmes, the introduction of the Management Competency Framework and the Corporate Training Programme.

She circulated a comparison document to Members which compared 2011 key measures of success against 2013. She highlighted a number of successes which included the number of employees working towards qualifications, sickness absence and items from the Employee Opinion Survey.

The Organisational Development Manager informed the Panel that a Members Health day had been arranged for 10 September to take place before the Council meeting. The Employee Assistance Programme had been opened up to Members and their families and more information on both would be circulated to Members.

The Finance, Governance and Resources Portfolio Holder thanked the Organisational Development Team for their hard work in arranging a wide variety of training, support and health and wellbeing events, the importance of which had been highlighted with the tragic death of Professor Joe Hendry.

In considering the Organisational Development Plan Members raised the following questions and comments:

- What had been the cost of the staff flu jabs?

The Organisational Development Manager responded that the flu jabs had been £9 per vaccine and had been funded through the holiday purchase scheme income.

- How many future managers had been identified within the authority?

The Organisational Development Manager explained that approximately half of the staff undertaking the ILM courses were aspiring managers. Alongside the ILM course the authority had ran a number of courses aimed at aspiring managers and they had been well attended.

- How many staff had moved positions within the authority as a result of the training programme?

The Organisational Development Manager agreed to provide a written response to Members.

- What was the water bottle project?

The Organisational Development Manager outlined a Men's Health day which had been held in 2011. Results on the day showed that some men, particularly those that worked outdoors, had a low water level and were slightly dehydrated. The team had a number of water bottles printed with Carlisle City Council and Healthy Cities to give staff alongside holders to encourage them to drink more water.

RESOLVED – That the Organisational Development Plan update (CE.07/13) be noted.

(The meeting ended at 11.05am)

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 29 AUGUST 2013 AT 10.00AM

PRESENT: Councillor Watson (Chairman), Councillors, Betton (until 11.10am), Bowman S, Craig, Layden, McDevitt and Miss Sherriff (as substitute for Councillor Mrs Atkinson) until 11.15am)

ALSO PRESENT Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder

OFFICERS Town Clerk and Chief Executive
Director of Resources
Director of Local Environment
Policy and Performance Officer
Scrutiny Officer

ROSP.54/13 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Mrs Atkinson.

ROSP.55/13 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

ROSP.56/13 CALL-IN OF DECISIONS

There were no items which had been the subject of call-in.

ROSP.57/13 MINUTES OF PREVIOUS MEETING

RESOLVED – That the minutes of the meeting held on 18 July 2013 be noted.

ROSP.58/13 OVERVIEW REPORT AND WORK PROGRAMME

The Scrutiny Officer presented report OS.20/13 which provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel's work.

The Scrutiny Officer reported that :

- The Notice of Key Executive Decisions had been published on 2 August 2013 and the following issue fell within the remit of the Panel:

KD.20/13 – Repair and Cleaning of The Cenotaph, Rickerby Park – The Executive will be asked, on 30 September 2013, to approve a project and funding to repair and clean The Cenotaph in time for the 100th Anniversary of the commencement of the First World War (July 2014)

Members did not raise any questions or comments on the items contained within the Notice of Key Decisions.

RESOLVED – That the Overview Report incorporating the Work Programme and Key Decision items relevant to this Panel (OS.20/13) be noted.

ROSP.59/13 ANNUAL PARTNERSHIPS REVIEW 2012/13

The Director of Resources presented report RD.24/13 which provided information relating to the Council's Partnership arrangements, the categorisation of partnerships and the monitoring of the main aims and objectives over the 2012/13 financial year.

The Director of Resources reminded the Panel of the definition of a partnership and outlined the four types of partnership classification which had been monitored and reported to Members up until 31 March 2013. It was intended that with effect from April 2013 a re-categorisation of all partnership, collaborative and contractual arrangements would commence. The revised categories had been included in the report at Appendix A and the half yearly report to be issued in December 2013 would fully incorporate the information.

He informed the Panel that, in 2012/13, the Council had one significant partnership, three shared service arrangements and two other contracted out services. All significant partnership reviews had been completed for 2012/13 and a summary of the outcomes of each had been included in the report at appendix B. A summary of all registered non-significant partnership responses was also included in the report.

The overall conclusion to be drawn from the information provided by lead officers was that each partnership reported had different roles and priorities but each had a system of monitoring in place which allowed for the early notification of issues which could become problematical and would enable actions to be taken to address the issues before they developed further.

In considering the Review Members raised the following comments and questions:

- Had someone been appointed for the monitoring position? If so what was there role?

The Town Clerk and Chief Executive confirmed that an appointment had been made but the person was not yet in position. The role would monitor partnerships but the Council would still like to have some corporate capacity in terms of commercial contracts.

The Director of Resources added that each Directorate had the responsibility for monitoring partnerships for example Governance monitored legal arrangements and Resources monitored financial arrangements.

- The report showed that only two of the significant partnerships had an exit strategy, did the other four have such strategies?

The Town Clerk and Chief Executive clarified that there was arrangements in the contracts for the partnerships to be dissolved, all of the partnerships had such arrangements apart from the Carlisle Partnership. The ICT and Internal Audit Shared Services had separate exit strategies in place; the other partnership strategies were included in the governance arrangements.

The Panel asked that an officer who dealt with contracts attended a future meeting to explain how the contracts worked. The Town Clerk and Chief Executive responded that

Members could discuss the details of contracts with officers at any time not just in Committee meetings.

- A Member asked if it would be possible to carry out some scrutiny on the partnership with Riverside Carlisle. He wanted a better relationship with Riverside Carlisle and was disappointed that work was not being undertaken despite Members discussions with officers.

The Scrutiny Officer reminded the Panel that Riverside Carlisle reported to the Community Overview and Scrutiny Panel on a six monthly basis. Riverside Carlisle provided an update report for Members to scrutinise and officer representatives attended the meeting to answer Members questions. All of the reports were available for all Members on the Committee Management System and Members were also welcome to attend the meetings.

The Town Clerk and Chief Executive reminded the Panel that Carlisle City Council had a relationship with Riverside Carlisle that included Member representation on their Board but Carlisle did not have any direct control over the work that Riverside carried out.

- Officers had previously reported that there had previously been issues receiving financial information from Carlisle Leisure Limited (CLL), had those issues been resolved?

The Director of Resources confirmed that the Council now received the required information from CLL and officers were meeting with CLL on a regular basis.

A Member asked if the Council had received the 2012/13 accounts from CLL and Tullie House and the Director of Resources stated that he would report back to Members when he had confirmed the situation.

- Why was the financial accountability of Carlisle City Council 10% higher than that of Allerdale Borough Council in the ICT Shared Service?

The Director of Resources explained that Carlisle's IT infrastructure was approximately 10% larger than Allerdale.

- Was the self generated income for CLL for Carlisle only for the whole of CLL?

The Director of Resources responded that he would submit a written response to Members.

RESOLVED – 1) That the Annual Partnerships Review 2012/13 be welcomed;

2) That the Director of Resources provide written responses to Members questions as set out in the above minutes.

ROSP.60/13 DRAFT MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2018/19

The Director of Resources presented report RD.32/13 concerning the draft Medium Term Financial Plan (incorporating the Corporate Charging Policy) 2014/15 to 2018/19. He advised Members that the Medium Term Financial Plan set out the current framework for

planning and managing the Council's financial resources, developing its annual budget strategy and updating its current five year financial plan. The Plan further sought to link the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources thereby enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives.

The Medium Term Financial Plan was reviewed annually commencing with the assumptions made in the Budget resolution approved by Council on 5 February 2013. In addition, the Corporate Charging Policy had been reviewed and included within the Medium Term Financial Plan. The Charging Policy provided a framework for potential policy options for each charging area, but recognised the different approaches that might be required for different services and the various influences which needed to be acknowledged in setting individual charges.

The Executive had on 5 August 2013 (EX.81/13) considered the report and decided:

“1. That the Report of the Director of Resources (RD.32/13) on the draft Medium Term Financial Plan 2014/15 to 2018/19 be received.

2. That the report be made available for consideration by the Resources Overview and Scrutiny Panel on 29 August 2013.”

In considering the Medium Term Financial Plan Members raised the following comments and questions:

- Why was the Minimum Revenue Provision (MRP) increasing?

The Director of Resources responded that the MRP would decrease when the Council sold assets and increase when it purchased assets. He explained that it was a complicated process but would be happy to explain it to individuals who wished to have more detail.

- A Member asked for an update on the Localisation of Business Rates.

It was felt that this matter should be discussed as a separate agenda item at a future meeting and it was agreed that a report would be submitted to the Panel in October.

- A Member drew the Panels attention to the £1,534,000 additional savings to be found and asked for an update.

The Director of Resources confirmed that the savings for 2013/14 had almost been achieved, the next challenge would be the 2015/16 savings.

The Finance, Governance and Resources Portfolio Holder added that the 2013/14 savings had been met in line with the priorities of keeping jobs and encouraging growth.

A Member was pleased that the savings for 2013/14 had been achieved whilst still being able to pay the Living Wage.

- With regard to car parking, had pay on exit options been considered?

The Director of Local Environment confirmed that pay on exit options had been looked at in some detail but there were issues with the cost of the management of such parking

options. The more modern way to pay for parking was via telephone, the Council had had this option for approximately 18 months. The user would receive a text when their ticket was due to run out and then they had the option of adding additional time to the ticket.

RESOLVED – 1) That the Draft Medium Term Financial Plan 2014/15 to 2018/19 (RD.32/13) be welcomed;

2) That a report on the Localisation of Business Rates be submitted to the Resources Overview and Scrutiny Panel in October.

ROSP.61/13 DRAFT CAPITAL STRATEGY 2014/15 TO 2018/19

The Director of Resources presented report RD.33/13 on the Draft Capital Strategy 2014/15 to 2018/19. He informed Members that the Draft Capital Strategy was a key policy document, intended to direct the Council's Capital Programme and the allocation of resources for the five year period 2014/15 to 2018/19 and would complement and supplement guidance contained in the Medium Term Financial Plan. The Capital Strategy was reviewed annually alongside the Medium Term Financial Plan, commencing with the assumptions made in the Budget Resolution approved by Council on 5 February 2013. The position had been updated to reflect any known changes since that date.

He reminded Members of the objectives of the Capital Strategy in ensuring that capital investment decisions and capital resources contributed to the achievement of the Council's corporate priorities; co-ordinated strategic priorities emerging from service planning and ensuring that investment opportunities were maximised; managed performance and decision making processes to help achieve the best use of available capital resources and setting out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money was obtained. The Strategy had been developed using a number of overarching guidelines.

The Director of Resources outlined the current capital programme forecasts, reminding Members of the key assumptions which had been considered in making the projections including the Capital Programme of £9.280m for 2013/14 and £4.641m for 2014/15. The impact of the 2012/13 outturn and the carrying forward of budgets into 2013/14 and other adjustments had reduced the programme to £4.655m in 2013/14.

The Director of Resources indicated that the current capital programme forecast spending on capital projects of around £1m - £2m per annum for years 2016/17 to 2018/19, although past experience had indicated that actual spending would be much higher due, in the main, to the fact that a number of initiatives were still at an early stage of development and had not yet been included in the projections. He identified a number of schemes currently the subject of feasibility studies, including the Asset Review Programme; Vehicle Replacement Programme; and Disabled Facilities Grants, commenting that the position on those schemes would need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing could be made more accurately.

The report further set out an estimated level of capital finance resources which would be generated over the next five years and highlighted the current position regarding borrowing; capital receipts; reserves and balances; Government and other capital grants and external funding; and revenue contributions. Also summarised was the level of capital spending and available financing for the period 2013/14 to 2018/19 which indicated that

currently there was approximately £7.4m uncommitted estimated capital resources available to support any future capital programme as at the end of 2018/19.

The Executive had on 5 August 2013 (EX.82/13) considered the report and decided:

“1. That the Report of the Director of Resources (RD.33/13) regarding the draft Capital Strategy 2014/15 to 2018/19 be received.

2. That the draft Capital Strategy be made available for consideration by the Resources Overview and Scrutiny Panel on 29 August 2013.”

In considering the Draft Capital Strategy Members raised the following comments and questions:

- Was the authority still in a position to participate in schemes that would be of benefit to the City?

The Director of Resources explained that there was unallocated monies in the capital strategy but it should be kept for emergencies. The Strategy could be reviewed annually and changed to meet new requirements if needed, however, unless the scheme was an invest to save scheme it would be difficult to support new capital expenditure at the current time.

The Finance, Governance and Resources Portfolio Holder added that there would be additional capital if the Asset Management Plan exceeded expectations, however, if it did not match expectations some work would have to be carried out to re-prioritise the Capital Strategy to ensure the priorities of housing, economic growth and quality jobs were achieved.

- The Capital Programme showed a reduction in the contribution to Disabled Facilities Grants (DFGs) from 2017/18 onwards. Why was there a reduction?

The Director of Resources responded that the Council was using a framework for tendering jobs and Riverside Carlisle was carrying out smaller jobs themselves. The Council could meet the DFG requirement at the present time but any increase would result in a budget pressure in the future.

RESOLVED – That the Draft Capital Strategy 2014/15 to 2018/19 (RD.33/13) be welcomed.

ROSP.62/13 DRAFT ASSET MANAGEMENT PLAN 2013 TO 2018

The Director of Resources presented report RD.31/13 on the draft Asset Management Plan 2013 – 2018.

The Director of Resources outlined the background to the matter, reminding Members that the draft Asset Management Plan was being updated to reflect the key issues and changes affecting the management and use of the City's property resources, and the impact of the Asset Review Business Plan approved by Council in January 2011 details of which were provided.

The Plan also reported on the current position and performance of the Portfolio and the Asset Disposal Programme.

The Executive had on 5 August 2013 (EX.83/13) considered the report and decided:

“That the Executive:

1. Noted the position as set out in Report RD.31/13.
2. Approved the updates to the draft Asset Management Plan in order for it to proceed for consideration by the Resources Overview and Scrutiny Panel, before coming back to the Executive and full Council in September 2013.”

In considering the Asset Management Plan Members raised the following comments and questions:

- In response to questions the Director of Resources clarified that the Asset Business Plan was in year three of the five year Plan. It was agreed that an update on the Asset Business Plan would be submitted to the Panel in November.

Councillor Betton declared a disclosable pecuniary interest in accordance with the Council’s Code of Conduct in respect of the Enterprise Centre. The interest related to the fact that he was a tenant at the Enterprise Centre.

Councillor Betton left the meeting for the duration of the discussion regarding the Enterprise Centre.

- The Environment and Economy Overview and Scrutiny Panel had carried out an in depth Task and Finish Group on the Enterprise Centre and had felt that there was a lot of space not being used as it might be, how would the Enterprise Centre be moved forward and was there any aspiration to make better use of it?

The Town Clerk and Chief Executive acknowledged that there needed to be a long term plan for the Enterprise Centre and at the moment the Council was keeping its options open.

The Director of Resources added that there was £50,000 in the budget for the Enterprise Centre to patch the roof to make it last a further three to five years.

Councillor Betton returned to the meeting.

RESOLVED – 1) That the Draft Asset Management Plan 2013 to 2018 (RD.31/13) be welcomed:

2) That an update on the Asset Business Plan would be submitted to the Panel in November.

ROSP.63/13 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2013

The Director of Resources presented report RD.28/13 providing an overview of the budgetary position of the City Council's capital programme for the period April to June

2013. As at the end of June, expenditure of £855,639 had been incurred which, when considered against the profiled budget of £987,868, equated to an underspend of £102,229.

In accordance with the City Council's Financial Procedure Rules, the Director of Resources was required to report to be Executive on the overall budget position, including the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis.

The Director of Resources added that the 2013/14 programme had been kept to a level that took account of the Council's ability to deliver schemes with regard to capacity and available resources. He further drew attention to the level of carry forwards that had been agreed, pointing out that work was ongoing to continue to monitor the profiling of budgets which would be adjusted to reflect progress in current capital schemes. It was likely that there would still be a requirement for some carry forwards at the year end due to further slippage and delays on projects.

The Director of Resources added that the Senior Management Team would provide strategic overview and monitor the effectiveness of the overall programme of work in delivering the Council's priorities and objectives. Technical project support and quality assurance of business cases and associated project management activities would be managed by a Corporate Programme Board chaired by the Chief Executive. In conclusion, he advised that a review of all capital expenditure incurred was ongoing to ensure that the expenditure had been correctly allocated between revenue and capital schemes. That work would facilitate the year end classification of assets.

The Executive had on 5 August 2013 (EX.90/13) considered the report and noted the budgetary position and performance aspects of the capital programme for the period April to June 2013, as set out in Report RD.28/13.

RESOLVED – That the Capital Budget Overview and Monitoring Report: April to June 2013 (RD.28/13) be noted.

ROSP.64/13 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: ARIL TO JUNE 2013

The Director of Resources presented report RD.29/13 providing an overview of the Council's overall budgetary position for the period April to June 2013 for revenue schemes only.

He summarised the budgetary position as at June 2013 which showed an underspend totalling £219,435; and highlighted the key issues, including performance against the corporate Salary Turnover Savings target; an overspend in Economic Development; parking operations; and income from the City's investments. Members' attention was also drawn to the main variances in the Revenue Budgets of the various Directorates.

The Director of Resources added that the Council's financial position was affected by a number of external factors which would have a financial impact during the course of the year and ultimately at the year-end, including the general effect of the economic climate on the Council's income streams; fuel prices, energy costs and other inflationary issues; and the effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control. He added that the

Council's financial position would continue to be closely monitored and would be reported more fully in the next quarterly report. It was important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

Members' attention was further drawn to a number of high risk budgets which had been identified as requiring detailed monitoring throughout the year; Section 106 commuted sums currently held by the Council; together with details of the Council's Direction of Travel and action taken by the Director of Resources in writing off bad debts.

The Executive had on 5 August 2013 (EX.91/13) considered the report and noted the budgetary and performance position of the Council to June 2013; and the action by the Director of Resources to write off bad debts as detailed in paragraph 9 of Report RD.29/13.

A Member asked how funding from Section 106 agreements was used. In response the Director of Resources explained that Section 106 money was ring fenced and could only be used for the subject of the agreement.

RESOLVED – That the Revenue Budget Overview and Monitoring Report: April to June 2013 (RD.29/13) be noted.

ROSP.65/13 QUARTER ONE PERFORMANCE REPORT 2013/14

The Policy and Performance Officer presented report PC.15/13 updating the Panel on the Council's service standards that helped measure performance and customer satisfaction. The report also included updates on key actions contained within the Carlisle Plan.

The Policy and Performance Officer reported that details of each service standard had been included in the report and illustrated the cumulative, year to date figure, month by month breakdown of performance and, where possible, an actual service standard baseline that had been established either locally or nationally.

He informed the Panel that a new service standard, Customer Satisfaction with Environmental Services, would be introduced from the autumn. The standard would be measured from customer feedback from the City Council website and through the Carlisle Focus magazine reader's survey.

RESOLVED – That the Quarter One Performance Report 2013/14 (PC.15/13) be noted)

ROSP.66/13 CORPORATE PROGRAMME BOARD

The Town Clerk and Chief Executive submitted report CE.09/13 giving an update of projects being undertaken and the actions being taken to progress projects with issues.

The Town Clerk and Chief Executive reported that a summary of the dossier of projects had been included in the report; the dossier contained a summary of current project status. The majority of Council projects were progressing to schedule and those that had issues were shown with a rating of amber for some issues and red for major issues.

He outlined the key activities in the last quarter which included the opening of the new Women's and Families Accommodation, the completion of phase 1 at the Old Town Hall,

the start of the consultation for the Local Plan, the completion of the Sense of Place work and launch of the Carlisle Story, the Executive approval for funding of the Arts Centre development at Warwick Street Fire Station and the completion of the Civic Centre Foyer Redesign.

The Town Clerk and Chief Executive explained that the only red status in the report was for the Cycle Way Ramp scheme which was subject to a Section 106 Agreement with Sainsbury's. The quotes for the scheme had exceeded the funding available and discussion was underway with Sainsbury's to determine options for the available money.

The Director of Resources informed the Panel that other Section 106 money could not be used for the scheme unless it was in the encompassing area.

A Member asked why the Financial Systems Upgrade was amber. The Director of Resources explained that the Directorate had been short of development resources, this had been resolved and it was hoped that the upgrade would be timetabled in. The upgrading of the security system had to be completed by March 2014 so it would take priority.

RESOLVED – That the Corporate Programme Board report (CE.09/13) be welcomed.

(The meeting ended at 11.27am)

Review of the Council's Arrangements for Securing Financial Resilience for Carlisle City Council

Year ended 31 March 2013

September 2013

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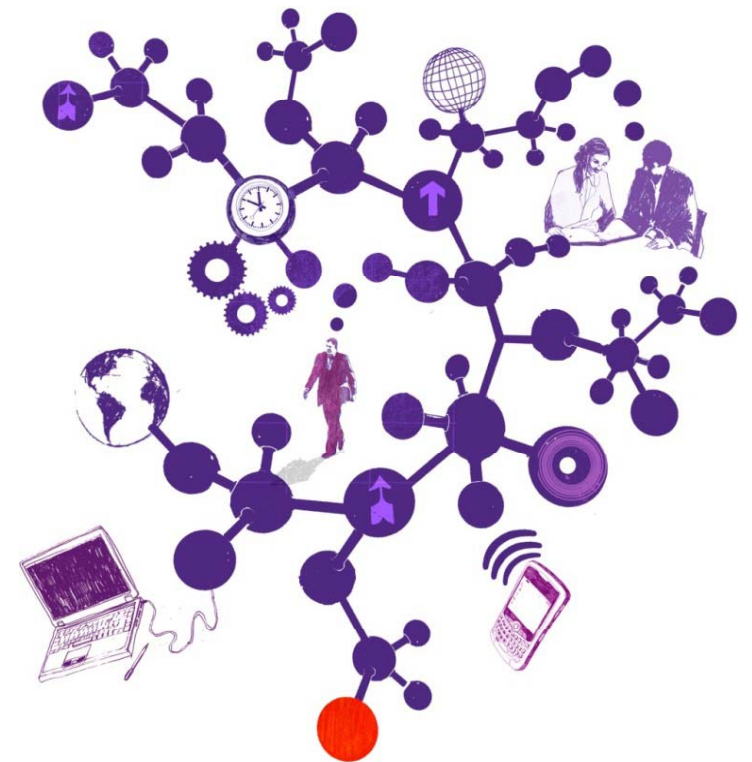
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

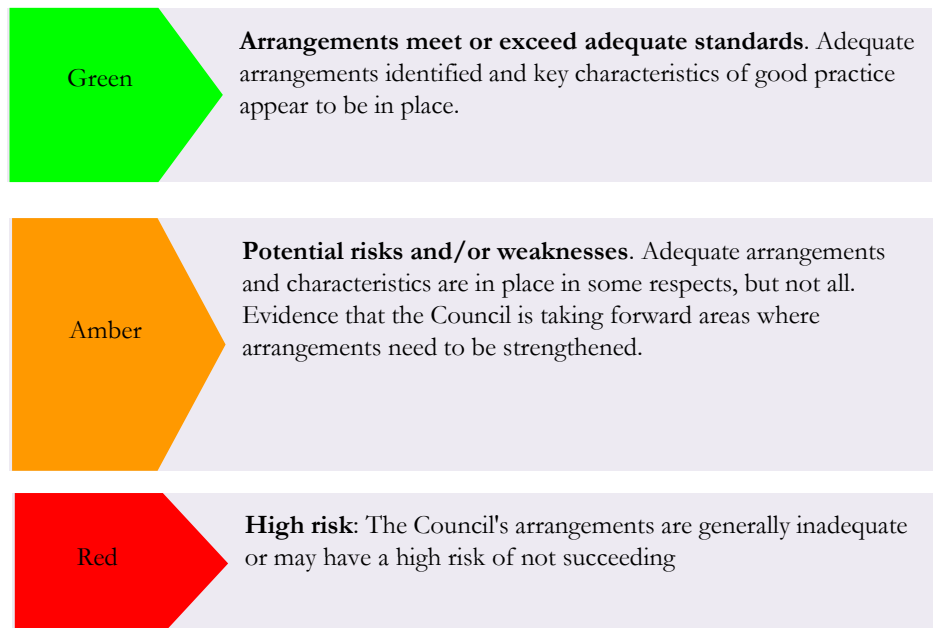
We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Overall we have assessed the Council as GREEN

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council has faced, and continues to experience significant financial pressures and risks, its current arrangements for securing financial resilience are satisfactory.

We have used a red/amber/green (RAG) rating with the following definitions.



Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

Local Context



For Carlisle City Council the financial impact of the Comprehensive Spending Review (CSR) 2010 equated to a £3.011million reduction in central government support for the lifetime of the review (a 28% total reduction in the four year period). It is likely that the 2013 Spending Round, which announced a further 10% funding reduction, could cost the Council an additional £260,000 per annum from 2015/16. However, the Council's transformation programme has been successful in achieving savings and has given the Council a solid financial base to address the savings required from both Spending Reviews. The Council has developed a savings strategy which is reviewed on an annual basis targeting three key areas:

- asset review
- alternative service delivery models
- services which do not fall within core priorities or which are not statutory.

The reductions in central government funding has been a significant financial challenge for the Council. Savings have been spread over the next four years as a way of maintaining the Council's future financial health. However the temporary use of revenue reserves to cushion the funding cuts has been necessary, these falling below minimum levels in 2013/14 and 2014/15, before increasing again.



Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<ul style="list-style-type: none">Carlisle's working capital ratio for 2011/12 was 2.65 which means that its above the preferred range of 2:1 whereas 3 of the comparable councils are now below the 2:1 ratio.Carlisle's usable reserves were £5.086 million at the 31 March 2012 giving a ratio is 0.07 and is the lowest of its comparable councils, although it partly reflects the Council's decision to transfer its usable capital receipts to its Capital Adjustment Account.The Council's General Fund balance at 31 March 2013 is £2.542 million which is just below its the Council set minimum level of £2.6 million. The Medium Term Financial Plan for 2013/14 to 2017/18 shows that the Council's General Fund balance will not reach its target level until the 31 March 2015. Members are well aware of this issue but the position should be closely monitored.Carlisle's long term debt to tax revenue ratio of 1.06 for 2011/12 indicates that it has long term borrowing which slightly exceeds tax revenue. The increase to above 1.00 reflects the decreasing levels of central government funding and council tax freezes. Carlisle's long term borrowing represents approximately one tenth of its long term assets.The Council sickness absence in 2012/13 totalled 9.1 full time equivalent (FTE) days compared with 11.1 days in 2011/12. This improvement has been as a result of a lean review of arrangements in early 2012 and the introduction of other initiatives such as an employee assistance programme.The original capital budget for 2012/13 was £10.94 million and with carry forwards from 2011/12 added this increased to £12.63 million. Actual expenditure of £3.42 million against this represents only 27.1%. The Council needs to improve its profiling and delivery of its capital programme.	 Green
Strategic Financial Planning	<ul style="list-style-type: none">The Council's Medium Term Financial Plan (MTFP) for 2013/14 to 2017/18 was approved in September 2012 and updated in November 2012. When the revenue and capital budgets for 2013/14 were set in February 2013 there was also an updated Medium Term Financial Plan (MTFP) to 2017/18.Key planning assumptions cover the main areas which impact on the Council's operations and an annual review of fees and charges has been undertaken by each directorate.The MTFP 2013/14 to 2017/18 indicates savings of £1.27 million will be required between 2014/15 to 2016/17.The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.	 Green

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Financial Governance	<ul style="list-style-type: none">• The Senior Management Team (SMT) monitor the financial position on a monthly basis and any significant issues would be highlighted to the relevant portfolio holder. This allows early corrective action to be taken. On a quarterly basis the Executive formally considers the revenue and capital monitoring reports.• The quarterly revenue monitoring reports identify a number of high-risk budgets which required detailed monitoring throughout the year. The quarterly monitoring reports provided the financial position and narrative commentary on the individual high risk budgets.• Training is provided to improve both members and officers awareness and understanding of financial matters. For 2012/13 this has included training on budget setting and control, understanding financial statements and treasury management• The Audit Committee provides adequate challenge on financial governance matters. If they deem it necessary they will ask for further work on a particular issue i.e. asking officers to report back to them or internal audit to follow something up.• In year reporting of the revenue budget on shows year end forecast from Q3 onwards. Quarterly capital monitoring reports do not include year end projections. There is a need to improve year end forecasting for revenue and capital and ensure that these forecasts are included from Q2 onwards.• Public reporting on performance in 2012/13 has been limited to an assessment against five service standards but unclear how performance against Corporate Plan has been reported. Clear arrangements need to be in place to report performance against the Carlisle Plan 2013-2016.	 Green
Financial Control	<ul style="list-style-type: none">• The Council has well established budget setting processes that encourage involvement and ownership from budget holders. Financial training is also provided to officers and members. The Council has a track record of managing within budget.• Internal Audit identified the need to improve contract monitoring arrangements for outsourced contracts. Action plans have been agreed and the Council now needs to ensure that the recommendations are implemented.• There is a clear process in place to produce the annual savings programme and progress against the plan is monitored through the Transformation Board.• Internal Audit concluded in its annual report that "the Authority's system of internal control is operating satisfactorily".• Appropriate risk management arrangements are in place.	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council's General Fund balance will not reach its target level of £2.6 million until the 31 March 2015. Members are well aware of this issue but the position should be closely monitored.	Director of Resources	On-going	Use of revenue reserves will continue to be monitored via the quarterly monitoring reports; however half yearly MTFP reports providing details of revenue reserves will be introduced.
	The Council needs to improve its profiling and delivery of its capital programme. Consideration should be given to how progress is reported and the potential impact of delays on service delivery.	Director of Resources	2014/15 budget process	The Corporate Programme Board will continue to monitor significant Council projects; however use of earmarked provisions for potential capital projects will be developed during the annual budget processes.
Financial Governance	Improve year end forecasting for revenue and capital and ensure that these forecasts are included from Quarter 2.	Financial Services & HR Manager	2013/14 Quarter 3	To form part of future Quarter 2 reports. The revised FS structure will facilitate improved budget monitoring with year end forecasts being provided in conjunction with Directors.
	Public reporting on performance in 2012/13 has been limited to an assessment against five service standards but it is unclear how performance against the Corporate Plan is reported. Clear arrangements need to be in place to report performance against the Carlisle Plan 2013-2016.	Chief Executive	1 April 2013	Improvements have been implemented for monitoring performance against the 2013/14 Carlisle Plan.
Financial Control	Internal Audit identified the need to improve contract monitoring arrangements for outsourced contracts. Action plans have been agreed and the Council now needs to ensure that the recommendations are implemented.	Senior Management Team (SMT)	January 2014	Revised staffing structures will facilitate this improvement with responsibilities for the monitoring of outsourced contracts being identified within job descriptions. An internal audit follow up report and regularly reporting of progress through Corporate Governance action plan will provide the necessary assurances.

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Appendix - Key indicators of financial performance

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:



- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

St Edmundsbury Borough Council
Boston Borough Council
Fenland District Council
Mansfield District Council
Copeland Borough Council
North West Leicestershire District Council
Wyre Forest District Council
Amber Valley Borough Council
East Staffordshire Borough Council
Worcester City Council
North Warwickshire Borough Council
Newcastle Under Lyme Borough Council
Chesterfield Borough Council
Newark and Sherwood District Council
Bassetlaw District Council


Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	<ul style="list-style-type: none"> Carlisle's working capital ratio for 2011/12 was 2.65 which means that its above the preferred range of 2:1 whereas 3 of the comparable councils are now below the 2:1 ratio. Based on the 2012/13 unaudited accounts the working capital ratio increases to 3.18 as a result of reducing short term creditors and overdrawn cash balance. The Council has also managed to significantly reduce debtors at 31 March 2013 whilst increasing the level of cash available to invest at 31 March 2013. The Council's working capital ratio has fluctuated over the last five years from 3.66 in 2007/08, rising to a high of 5.01 in 2008/09 and then falling to its lowest level of 2.25 in 2010/11 before starting to increase again. This fluctuating trend is consistent with most of the comparable councils. The working capital ratio reduction from a 2008/09 high has been a consequence of a significant reduction in investment balances and debtors as cash has been used to support the capital programme whilst creditor levels increased significantly in 2009/10. The Council's collection performance during 2012/13 of 97.78% for Council Tax and 98.58% for National Domestic Rates shows an improving position when compared with performance in 2011/12 of 97.61% and 97.78% respectively. 	 Green
Reserve Balances	<ul style="list-style-type: none"> Carlisle's usable reserves were £5.086 million at the 31 March 2012 giving a ratio is 0.07 and is the lowest of its comparable councils. Based on the 2012/13 unaudited accounts the usable reserves ratio remains at this level at 31 March 2013. The Council's usable reserves ratio has reduced each year from 0.14 in 2008/09 to 0.07 in 2011/12. There is no clear trend in the comparable councils with some councils increasing usable reserves (as a percentage of gross expenditure) and others decreasing reserve levels. Carlisle's reducing trend is consistent with 8 out of 15 comparable councils. This Council's usable reserves have reduced in recent years with specific use being made of general fund reserves (£0.96 million) and earmarked reserves (reducing by £5.46 million). Usable reserves includes usable capital receipts (UCRs) but Carlisle's UCRs is zero as the Council transferred any remaining UCRs to the Capital Adjustment Account (CAA) to minimise the revenue impact of the statutory provision for the repayment of debt. The amount of UCRs in the CAA was £6.20 million at 31 March 2012. Had this been in the UCR reserve the usable reserve would have increased from 0.07 to 0.15 making it sixth lowest of the comparable councils. The Council 's revenue reserves as a percentage of the next year's net budget requirement are 38.2%. The Council's General Fund balance at 31 March 2013 is £2.542 million which is just below the Council's approved minimum level of £2.6 million. The Medium Term Financial Plan for 2013/14 to 2017/18 shows that the Council's General Fund balance will not reach its target level until the 31 March 2015. Members are well aware of this issue but the position should be closely monitored. 	 Amber



Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Borrowing	<ul style="list-style-type: none">• Carlisle's ratio of 1.06 for 2011/12 indicates that it has long term borrowing which slightly exceeds tax revenue. Carlisle is seventh lowest in the comparable group with six of the group having a ratio of 5.69 or over. Based on the 2012/13 unaudited accounts the long term borrowing ratio is 1.11 at 31 March 2013.• The Council's long term borrowing ratio was 0.94 in 2007/08, reducing to a low of 0.86 in 2010/11 before rising to 1.06 in 2011/12. The increase to above 1.00 reflects the decreasing levels of central government funding and council tax freezes. The trend in the comparable group is a deteriorating position in terms of long term debt as a percentage of tax revenue with only one council showing an improving position between 2007/08 and 2011/12.• Carlisle's ratio of 0.09 for 2011/12 shows that the Council's long term borrowing represents approximately one tenth of its long term assets - i.e. long term borrowing does not exceed its long term assets. Based on the 2012/13 unaudited accounts the Council's long term borrowing to long term assets ratio is 0.10 at 31 March 2013.• The Council's long term borrowing as a share of long term assets has reduced only slightly from 0.10 in 2007/08 to 0.09 in 2011/12. As debt levels have remain constant the reduction related to the increasing value of the Council's long term assets, most notably the recognition of £16.1 million of heritage assets and increases of £8.63 million in investment properties. The trend in the comparable group is a deteriorating position in terms of long term debt as a percentage of long term assets with only two councils showing an improving position between 2007/08 and 2011/12.• The Council's long term debt relates to a £15 million stock issue in 1995 for 25 years at 8.75%. The Council periodically reviews this arrangement but with interest rates currently 0.5% the early redemption premium that would need to be paid means that redeeming this loan is not currently viable.• Target Minimum Level of Investments Classified as Specified was 50% but actual level at 31 March 2013 was 89%. This simply reflects the fact the Council has been investing its money for periods of under a year and not placing money with building societies that do not possess an appropriate credit rating.	 Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	<ul style="list-style-type: none"> The Council's Transformation programme is continuing. Staffing cuts have reduced the Council's employee pay bill from £18.26 million in 2011-12, to £17.55 million in 2012-13, a reduction of £0.71 million. The Council set itself a target for sickness absence of 10 days per full time equivalent (FTE) in 2012-13. Actual sickness absence totalled 9.1 days compared with 11.1 days in 2011/12. This improvement has been as a result of a lean review of arrangements in early 2012 and the introduction of other initiatives such as an employee assistance programme. This was in response to an increasing trend from 2010/11 onwards, partly as a result of the introduction of the revenue and benefits shared service. Sickness absence is monitored monthly with quarterly reporting to the Senior Management Team (SMT) and the Council's Resources Overview and Scrutiny panel. 	 Green
Performance Against Budgets: revenue & capital	<ul style="list-style-type: none"> The overall revenue outturn, prior to any carry forwards, for 2012/13 was an underspend of £1.02 million against a revised budget of £14.58 million. In cash terms, the directorate with the best performance was Local Environment with an underspend of only £648 (-0.01%). Whereas the largest underspend in cash terms was the Resources directorate of £0.72 million (-23.96%) of which £0.63 million related to corporate issues. The main reasons for the overall revenue underspending related to savings on shared service pension costs (£0.17 million), greater than expected savings from staff turnover and pay awards (£0.65 million) and additional income from the Lanes (£0.1 million). The overall capital outturn, prior to any carry forwards, for 2012/13 was an underspend of £3.42 million against a revised budget of £7.98 million. This represents an underspend of 42.9%. The main reason for this underspend were that no asset acquisition opportunities were identified in line with the asset management plan (£1.56 million), delays in vehicle replacement plan (£0.31 million), families accommodation replacement to be completed in spring 2013 (£0.61 million), planning delays on Castle Way cycle ramp (0.35 million) and revisions to the work on Old Town Hall meaning they were not completed until June 2013 (£0.3 million). The original capital programme shows a worse position. The original capital budget for 2012/13 was £10.94 million and with carry forwards from 2011/12 added this increased to £12.63 million. Therefore actual expenditure of £3.42 million against this represents only 27.1%. The main budget reductions were re-profiling of asset acquisitions to future years (£3 million) and removal of environmental enhancement work (£1.79 million). The Council needs to improve its profiling and delivery of its capital programme. Consideration should also be given as to how the capital programme is reported, including an assessment of the impact of delays in the capital programme on service standards. 	 Amber

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Appendix - Key indicators of financial performance

Strategic Financial Planning






Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	<ul style="list-style-type: none"> The Council's Medium Term Financial Plan (MTFP) for 2013/14 to 2017/18 was approved in September 2012. An update to the MTFP was considered by the Executive in November 2012. When the revenue and capital budgets for 2013/14 were set in February 2013 there was also an updated Medium Term Financial Plan (MTFP) to 2017/18. The MTFP includes high level sensitivity analysis, looking at a 1% change in costs or benefits and 1% change in population. Consideration is given to New Homes Bonus Grant and the effect of the localisation of Council tax benefit and business rates. The MTFP also adequately considers reductions in Government funding, shortfalls in income streams and the effect of its own revised Transformation targets. 	 Green
Adequacy of planning assumptions	<ul style="list-style-type: none"> The key planning assumptions included with the MTFP are split between external and internal factors. The external factors considered included the impact of the recession, inflation and government policy. The internal factors included consideration of general inflation, pay inflation, income generation and how the Council's asset base will help deliver strategic priorities. The Council continued its annual review of fees and charges in each directorate. The Council's Corporate Charging Policy, which is part of the Strategic Financial Framework, was approved by the Executive and Full Council in September 2012 and sets out one of the key objectives of setting the charges is to recovering the cost of service provision. The MTFP 2013/14 to 2017/18 indicates savings of £1.27 million will be required between 2014/15 to 2016/17. The Council reviews the assumptions within its medium term plans as new information becomes available to mitigate against uncertainties in the level of future funding to be received from Government and the impact on savings required. However, given the current inherent uncertainties in the level of future funding to be received from Government and impact on savings required, this has been assessed as amber. 	 Amber
Scope of the MTFP and links to annual planning	<ul style="list-style-type: none"> The MTFP shows the links between the Council's policy and budget frameworks. These then feed into Directorate Service Plans which provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget. The MTFP also links to the Capital Strategy, Asset Management Plan, Procurement and Commissioning Strategy and the Organisational Development Plan. 	 Green
Review processes	<ul style="list-style-type: none"> The MTFP is produced in September each year which means that it can reflect the true General Fund balance and earmarked reserves position from the previous year's accounts. The MTFP projections are then updated in the following February as part of the budget setting process. More frequent updates to the MTFP have been undertaken over the last couple of years to reflect the changing funding environment with an updated MTFP presented to the Executive in November 2012. 	 Green
Responsiveness of the Plan	<ul style="list-style-type: none"> The Council has demonstrated that it has a process in place to update the MTFP and that it is willing to undertake more frequent updates as required. The arrangements for monitoring savings means that progress can be assessed as part of the updating of the MTFP. Scenario planning looking at changes of 1% of costs, benefits or population is useful in assessing impact. The MTFP includes a risk assessment and mitigation used to reduce the risk level. 	 Green

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Appendix - Key indicators of financial performance

Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
 - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
 - Actions have been taken to address key risk areas.
 - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement






- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Executive regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	<ul style="list-style-type: none"> The Senior Management Team (SMT) monitor the financial position on a monthly basis and any significant issues would be highlighted to the relevant portfolio holder. On a quarterly basis the Executive formally considers the revenue and capital monitoring reports. Training is provided to improve both members and officers awareness and understanding of financial matters. For 2012/13 this has included training on budget setting and control, understanding financial statements and treasury management. 	 Green
Executive and Member Engagement	<ul style="list-style-type: none"> The level of senior management and member level engagement in the financial management process remains appropriate. In terms of consultation on the annual budget the Council consults with the trade unions and the large affinity group (large locally based firms). The Audit Committee provides adequate challenge on financial governance matters. If they deem it necessary they will ask for further work on a particular issue i.e. asking officers to report back to them or internal audit to follow something up. 	 Green
Overview for controls over key cost categories	<ul style="list-style-type: none"> The quarterly revenue monitoring reports identified a number of high-risk budgets which required detailed monitoring throughout the year. In addition to the position to date the quarterly monitoring reports also provided narrative commentary on the individual high risk budgets. 	 Green
Budget reporting: revenue and capital	<ul style="list-style-type: none"> In year reporting of revenue only included a forecasted outturn in Q3 and this suggested a year end overspend of £0.292 million which turned out to be an underspend of £1.02 million, reducing to an underspend of £0.325 million after committed carry forward. SMT were tasked after Q3 with closing the gap on the projected year end deficit. This included a moratorium on other than essential spending and taking a rigorous attitude to requests for carry forwards. Although the capital budget is adjusted during the year the quarterly capital monitoring reports only show spend to date but no year end projection. The Q3 report showed £4.73 million of the capital budget to be spent in the last quarter. However, only £1.20 million spent (25% of expected spend in Q4). Some of this difference of £3.53 million related to not making asset purchases as nothing available that was appropriate (£1.55 million) but much of the rest related to delays in projects. 	 Amber
Adequacy of other Committee/ Executive Reporting	<ul style="list-style-type: none"> The Council has satisfactory reporting arrangements for reporting financial information to the Council, Executive and other committees. Financial reports are now trying to include better links to performance. Directorate performance is reported to SMT on a monthly basis and any significant performance issues would be reported to full Council through the Portfolio holder reports. However, public reporting of performance has been limited to achievement against five service standards with no obvious public reporting of performance against corporate objectives in 2012/13. 	 Amber

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Appendix - Key indicators of financial performance

Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.



Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	<ul style="list-style-type: none"> The Council has well established budget setting processes that encourage involvement and ownership from budget holders. Financial training is also provided to officers and members. The Council has a track record in managing within budget. Budget monitoring reports are discussed at SMT on a monthly basis with formal reporting of the financial position in terms of revenue, capital and treasury management on a quarterly basis to the Executive. Monitoring arrangements are timely and capable of identifying areas requiring corrective action. The overall revenue outturn, prior to any carry forwards, for 2012/13 was an underspend of £1.02 million against a revised budget of £14.58 million. The overall capital outturn, prior to any carry forwards, for 2012/13 was an underspend of £3.42 million against a revised budget of £7.98 million. This represents an underspend of 42.9%. The need to improve year end forecasting has already been identified. During 2012/13 Internal Audit identified the need to improve contract monitoring arrangements for outsourced contract. Action plans have been agreed and the Council now needs to ensure that the recommendations are implemented. 	 Amber
Performance against Savings Plans	<ul style="list-style-type: none"> There is a clear process in place to produce the annual savings programme and progress against the plan is monitored through the Transformation Board. The MTFP required savings of £1.38 million in 2012/13. The initial process was to deliver 10% savings across all Directorates with suggestions from directorate management teams. The new Administration, elected in May 2012, made changes to the proposals to minimise redundancies. The savings programme was re-scheduled for implementation between October 2012 and early 2013/14. Savings of £0.96 million were achieved with the rest to be delivered in 2013/14. 	 Green
Key Financial Accounting Systems	<ul style="list-style-type: none"> As part of Internal Audit's plan for 2012/13 it identified twelve systems and processes which were regarded as material to the Council's financial management and production of the Council's financial statements. Of the twelve material systems 5 were given 'Substantial assurance' and 7 assessed as 'Reasonable assurance'. Our work and that of Internal Audit has confirmed that the Council's financial system are capable of producing accurate and reliable information. Internal Audit concluded in its annual report that "the Authority's system of internal control is operating satisfactorily". 	 Green



Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<ul style="list-style-type: none">• The Director of Resources has corporate responsibility for the finance function. He is supported by the Financial Services and HR Manager who is responsible for the day to day management of the finance function. Senior staff in the finance function are CIPFA qualified..• The Finance function is responsible for financial planning, budget consultation and monitoring, producing the financial statements, treasury management, insurance, creditor payments, financial information systems, procurement and monitoring and reporting on partnerships and the efficiency agenda.• The Council has a track record in recent years of delivering good quality accounts and identifying requirements and resources early on in the process. In previous years this included bringing in additional technical accountancy resources to support the implementation of International Financial Reporting Standards (IFRS)• Overall assessment is that the Council's finance function is well resourced with experienced and capable staff.	 Green
Internal audit arrangements	<ul style="list-style-type: none">• The Council has adequate arrangements in place. The Internal audit function is provided by a shared internal audit consortium hosted by Cumbria County Council and of which Carlisle CC is a partner.• The internal audit consortium is substantially compliant with the CIPFA Code of Practice, per its self assessment . The area for improvement was updating the local audit manual and revising it for the wider shared Internal Audit service.• The audit plan for 2012/13 was for 540 days but 559 days were delivered, the 19 days purchased to support unplanned work.• A total of 40 audits were originally planned , although only 27 delivered in 2012/13 with a further 4 in progress. Of the remaining 9 audits 1 was cancelled and the rest deferred into 2013/14 at the request of management and to reflect the need for Internal Audit to undertake 3 pieces of unplanned work. The deferred reviews have been built into the 2013/14 audit plan.• Process in place to follow up implementation of Internal Audit recommendations and report any where no action taken to implement an agreed recommendation. Internal Audit reported no instances where agreed recommendations were not being implemented in 2012/13.	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
External audit arrangements	<ul style="list-style-type: none">• There were 6 recommendations made in the 2011/12 Annual Governance Report (ISA260 report).• The key ones related to ensuring cash and cash equivalents are shown as a separate asset and liability in the balance sheet when there is no legal right of set off, giving greater consideration to the validity of large reconciling items in the bank reconciliation and ensuring the Council minimised the need to take out short term loans to cover short falls in cash flow and to meet its commitments.• Management reported progress on implementing the recommendation in the 2011/12 Annual Governance report to the Audit Committee on 11 January 2013. This showed that action had been taken on all the recommendations. Our assessment of progress will be reported in our Audit Findings Report (ISA260 report).	 Green
Assurance framework/risk management	<ul style="list-style-type: none">• The Council has a Risk Management policy and strategy in place.• There is a portfolio holder responsible for risk management.• There is an officer based Corporate Risk Management Group who are responsible for risk management within the Council. They and the Senior Management Team (SMT) review the Corporate Risk register which is then considered quarterly by the Executive and the Resources Overview and Scrutiny Panel. It is also presented to the Audit Committee to assure them that risk management arrangements are in place.• The Corporate Risk Register assesses each risk against likelihood and impact and gives this a score. It also shows the score from previous assessments. There is a current action status / control strategy and a target date and target risk score. Individual risks are allocated to an officer and portfolio holder.• Directorate risk registers are also maintained.	 Green

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Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

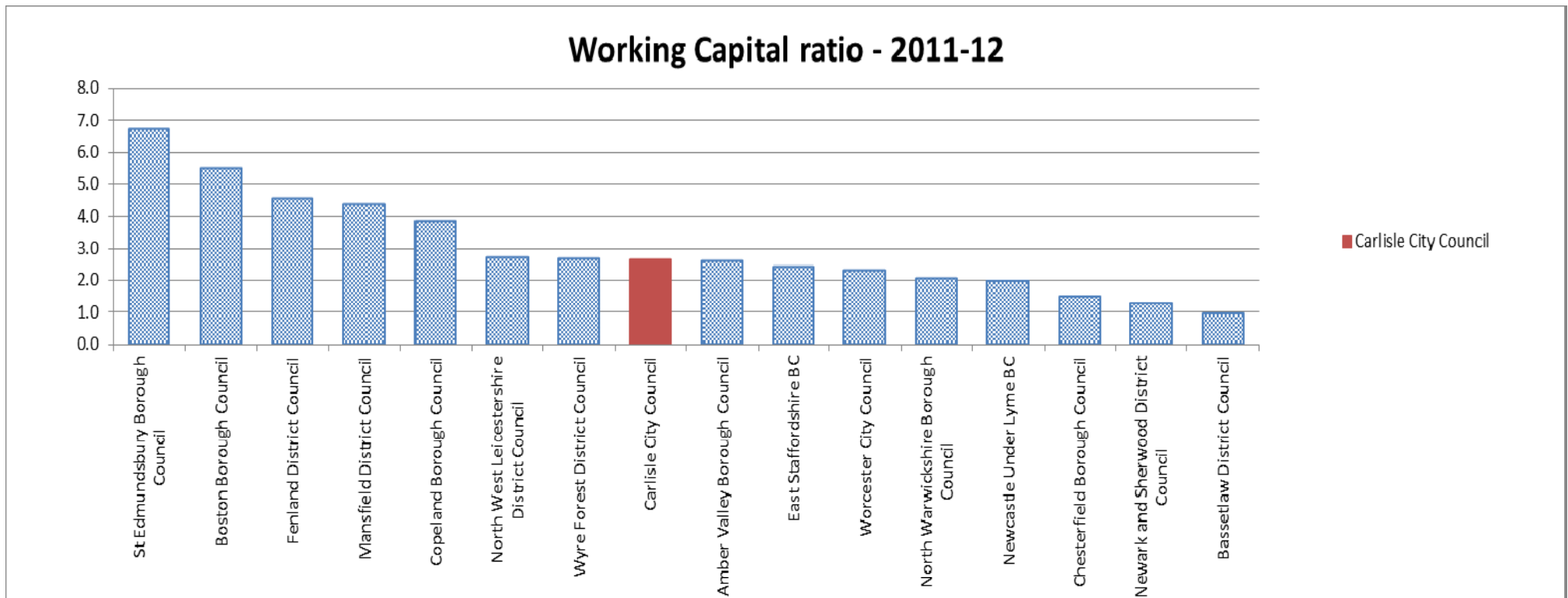
Working Capital - Benchmarked

Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

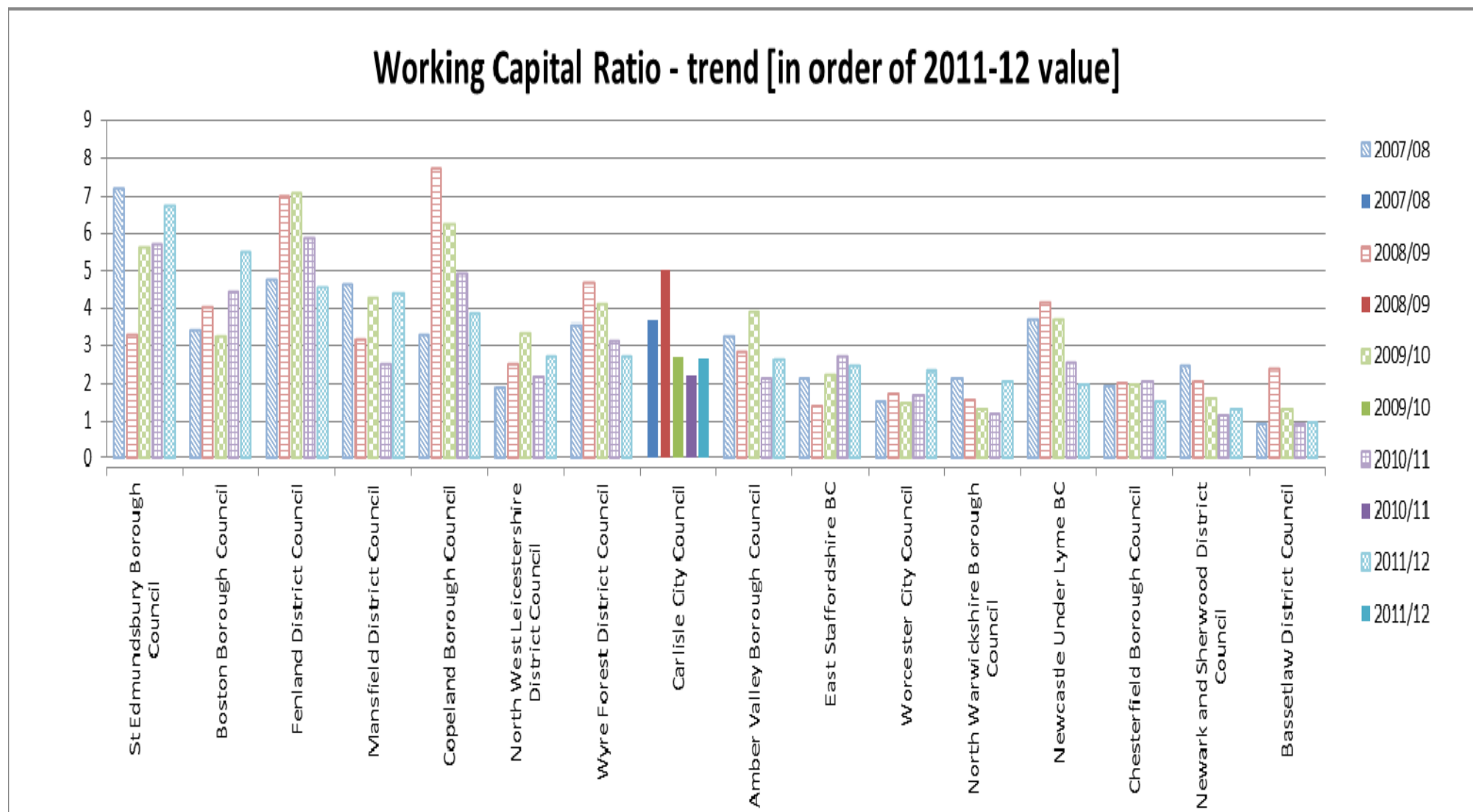
Findings

Carlisle's working capital ratio for 2011/12 was 2.65 which means that its above the preferred range of 2:1.



Key Indicators of Financial Performance

Working Capital - Trend



Key Indicators of Financial Performance

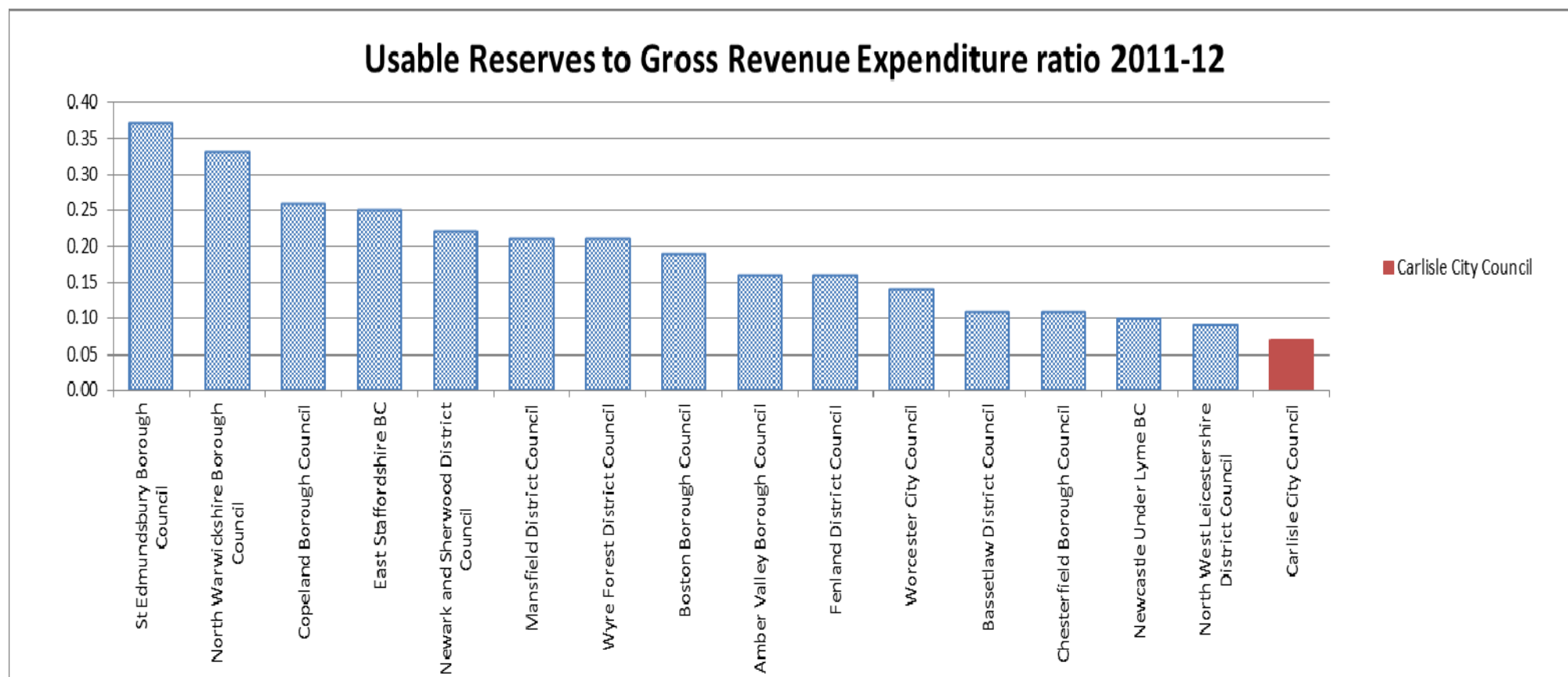
Useable Reserves - Benchmarked

Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

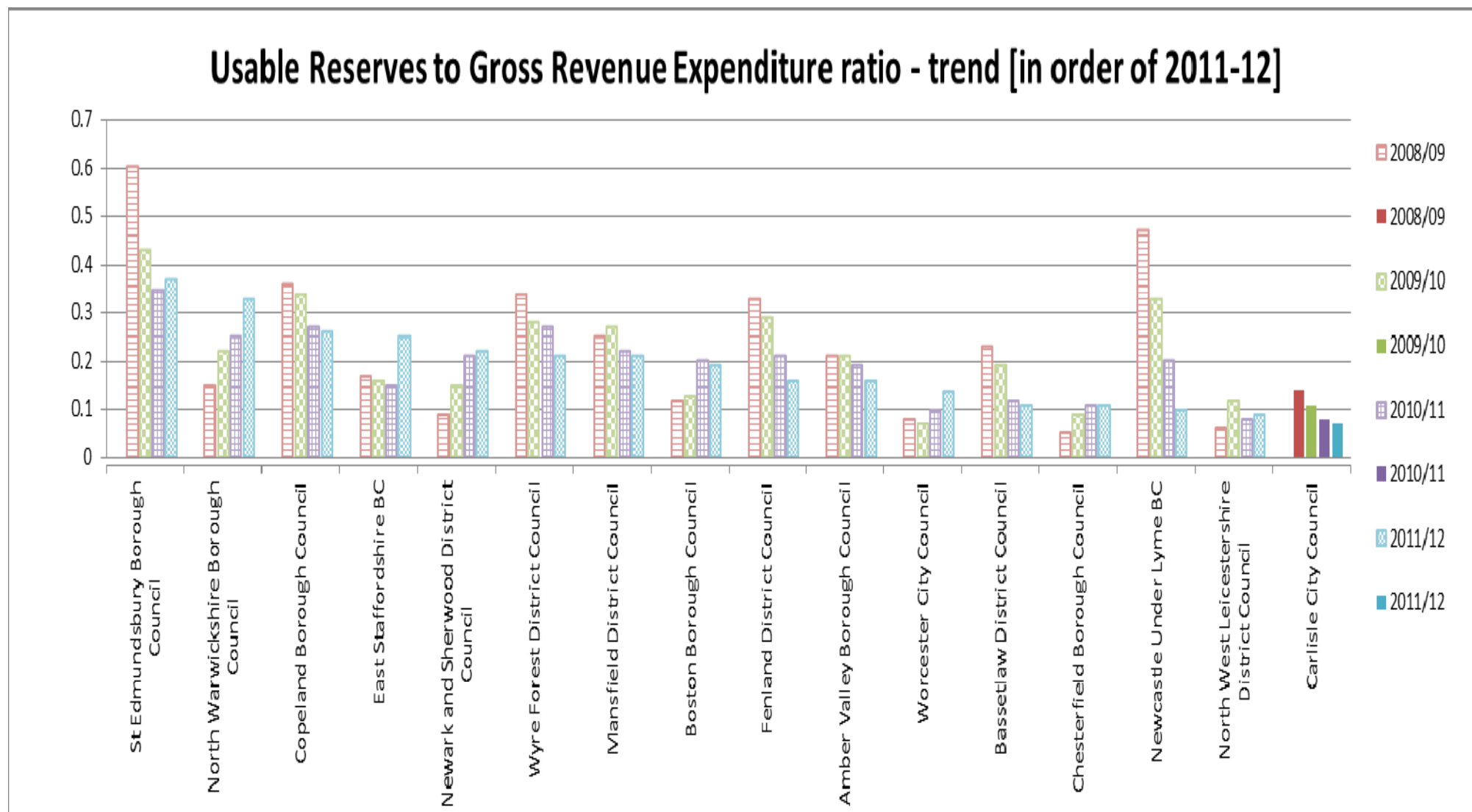
Findings

Carlisle's usable reserves ratio is 0.07 and is the lowest of its comparable council. Based on the 2012/13 unaudited accounts the usable reserves ratio remains at this level at 31 March 2013.



Key Indicators of Financial Performance

Useable Reserves - Trend



Key Indicators of Financial Performance

Long Term Borrowing to Tax Revenue - Benchmarked

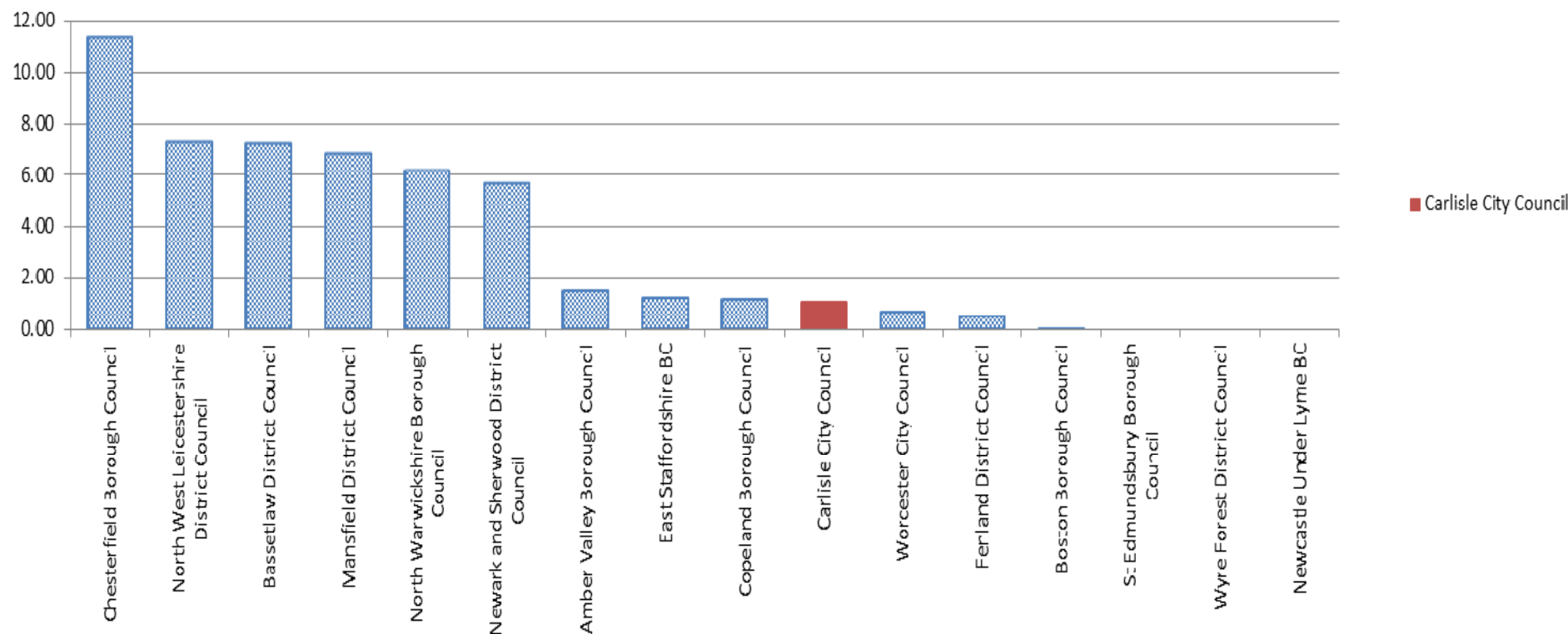
Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

Findings

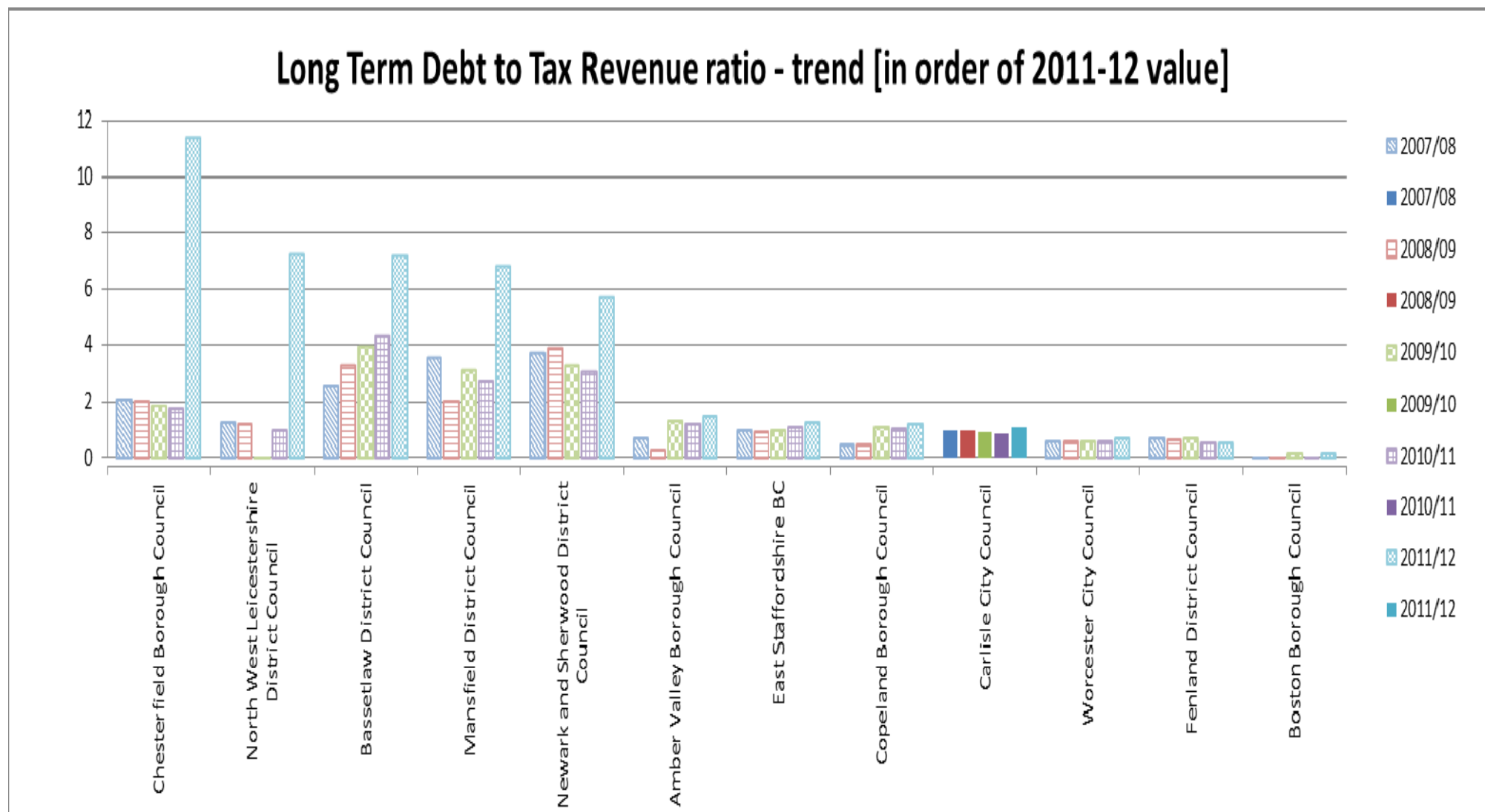
Carlisle's ratio of 1.06 indicates that it has long term borrowing which slightly exceeds tax revenue. Carlisle is seventh lowest in the comparable group with six of the group having a ratio of 5.69 or over.

Long Term Debt to Tax Revenue ratio 2011-12



Key Indicators of Financial Performance

Long Term Borrowing to Tax Revenue - Trend



Key Indicators of Financial Performance

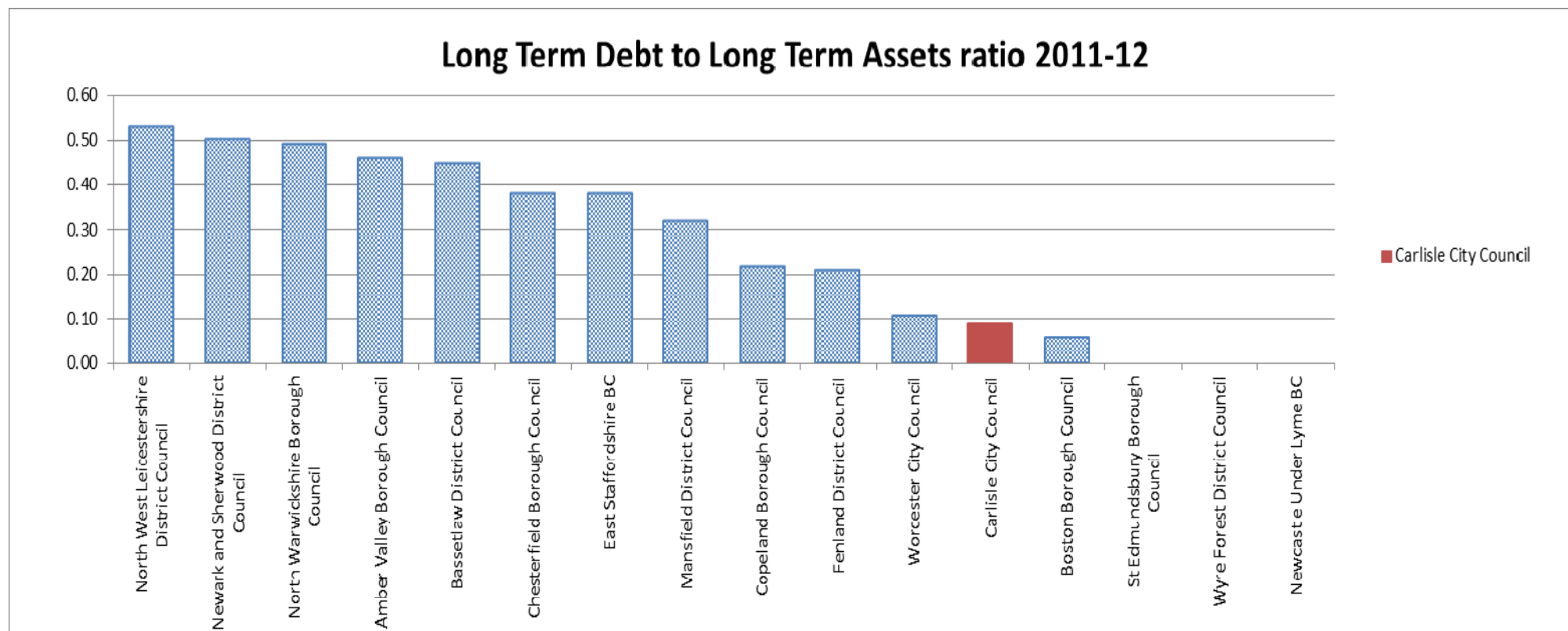
Long-term borrowing to Long-term assets - Benchmarked

Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

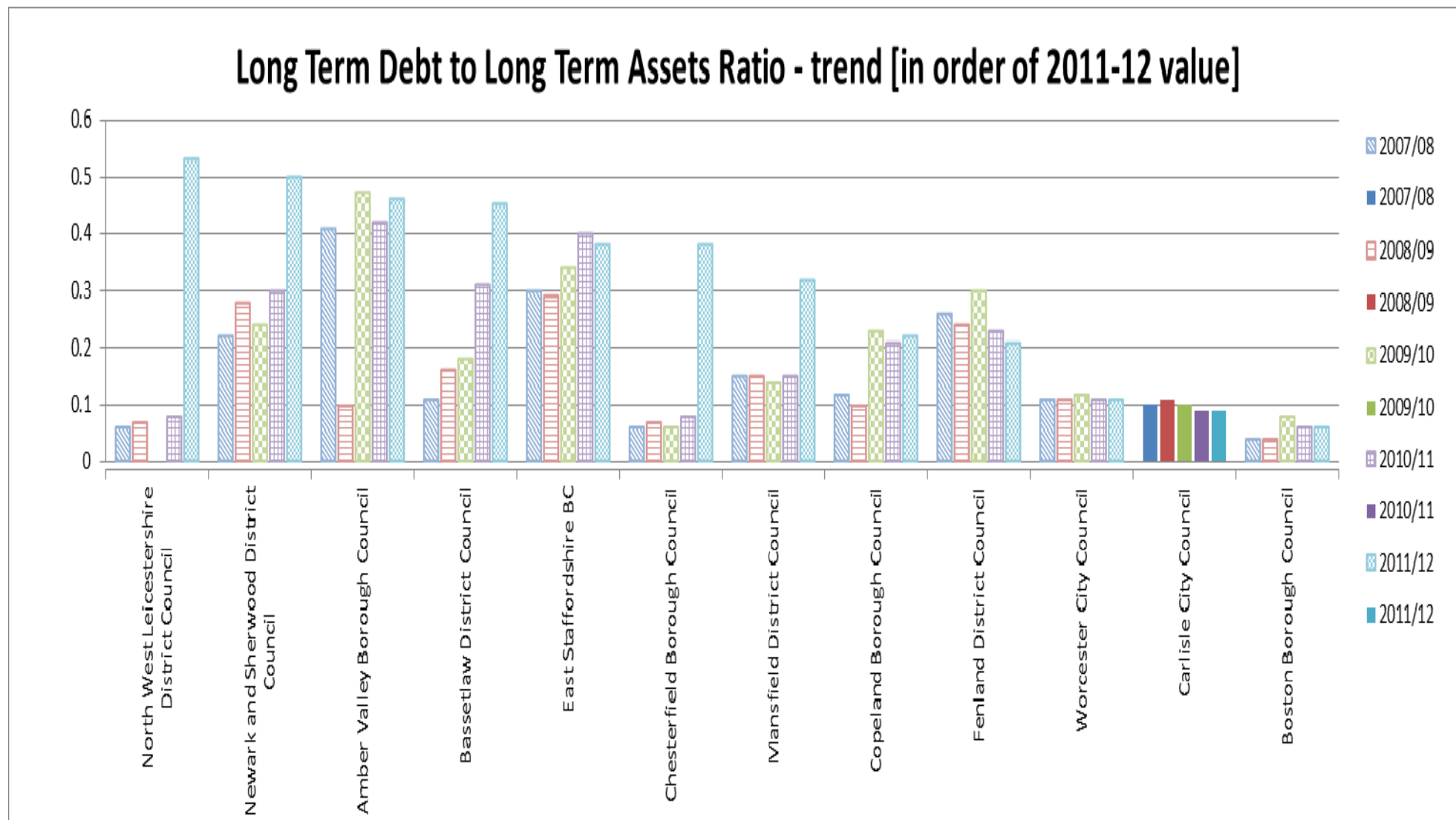
Findings

Carlisle's ratio of 0.09 shows that the Council's long term borrowing represents approximately one tenth of its long term assets - i.e. long term borrowing does not exceed its long term assets. Carlisle is fifth lowest in the comparable group.



Key Indicators of Financial Performance

Long Term Borrowing to Long-term assets - Trend



Key Indicators of Financial Performance

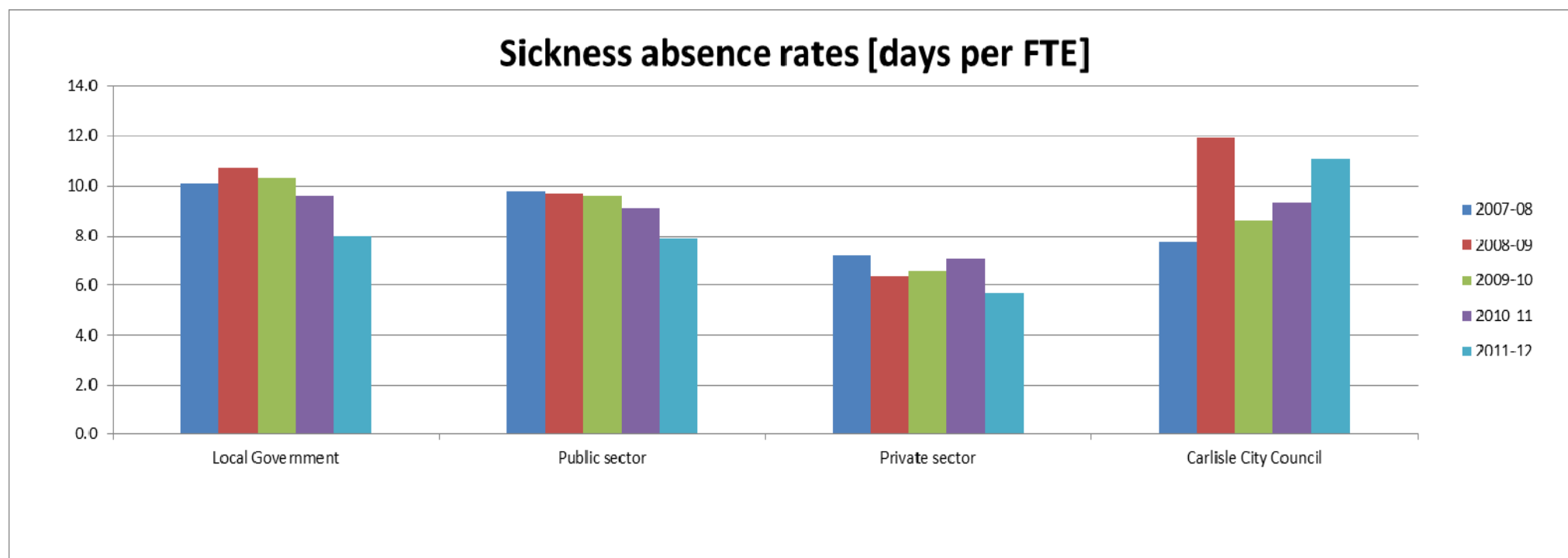
Sickness Absence Levels

Background

The average sickness absence level for the public sector overall is 7.9 days per full time equivalent (FTE) with local government being 8.0 days per FTE. The average sickness level in the private sector is 5.7 days per FTE. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit.

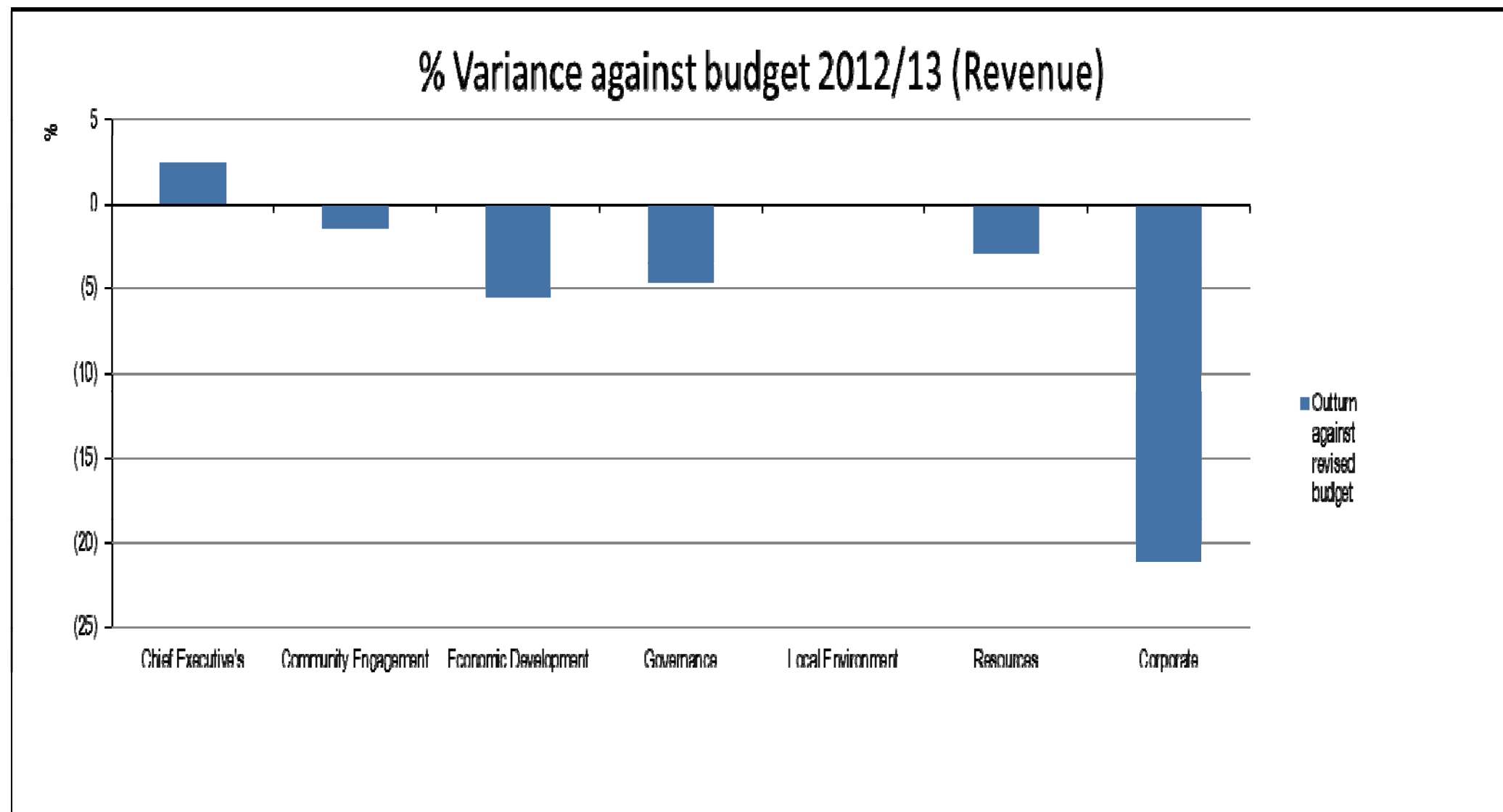
Findings

Carlisle's sickness absence levels have fluctuated over the past five years. It was 7.76 days per FTE in 2007/08 but increased at a high of 11.92 days in 2008/09 (an increase of 53.6%). The position improved in 2009/10 with a reduction to 8.6 days but an increasing trend returned in 2010/11 (9.3 days) and 2011/12 (11.1 days). The Council's absence level during 2011/12 of 11.1 days per FTE was above the Council's target of 8.4 days and the national local government average of 8.0 days.



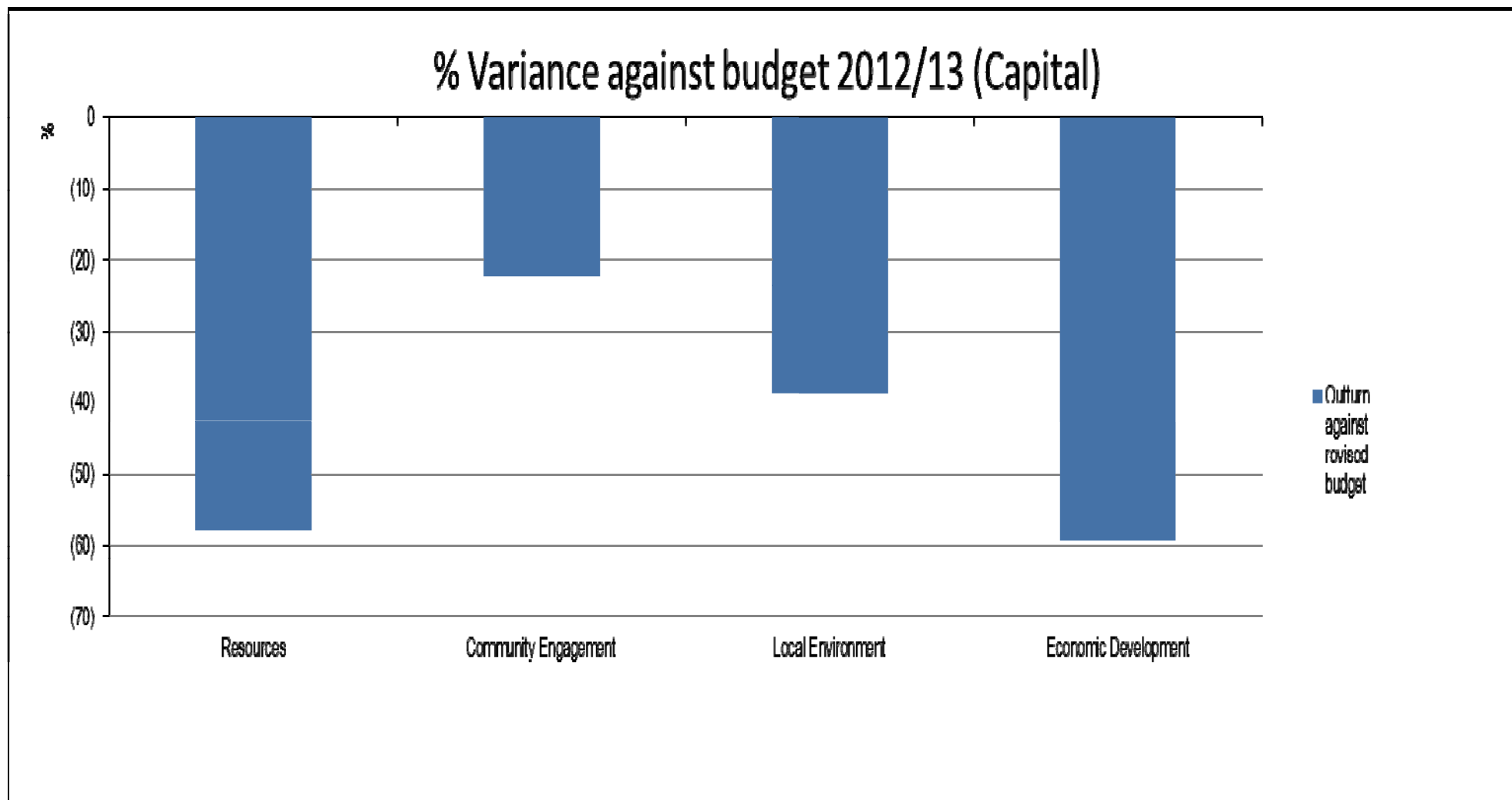
Key Indicators of Financial Performance

Performance Against Budget: Percentage Variances from Revised Revenue Budget



Key Indicators of Financial Performance

Performance Against Budget: Percentage Variances from Revised Capital Budget





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The Audit Findings for Carlisle City Council

Year ended 31 March 2013

September 2013

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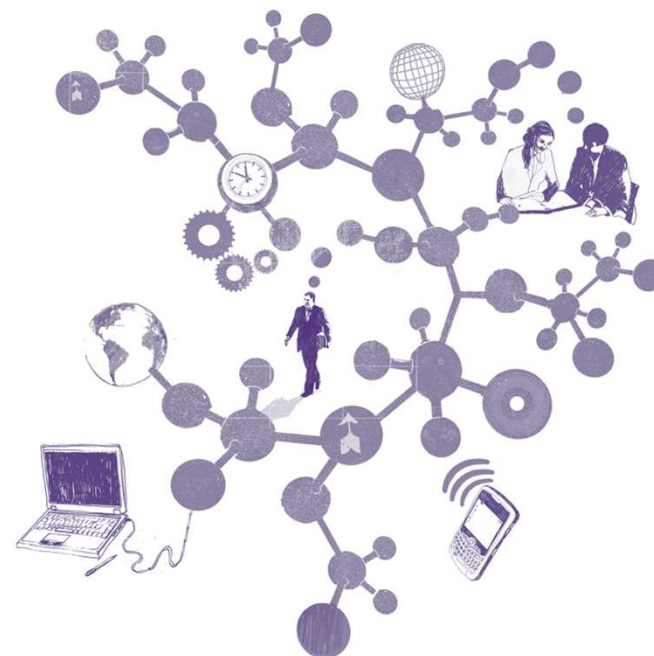
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Carlisle City Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- detailed testing of housing and council tax benefit cases;
- review of the final version of the financial statements;
- obtaining and reviewing the final letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments which affect the Council's reported financial position. However, we have made two significant amendments to correct misclassification errors in the Collection Fund and Trading Services income and expenditure. We also made a number of adjustments to improve the presentation of the financial statements and ensure that they fully comply with the Code of Practice on Local Authority Accounting 2012/13. Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We plan to complete our work in respect of the Whole of Government Accounts so that we can certify the audit closed at the same time as we sign the main financial statements.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

In our Audit Plan we highlighted the need for improvement in IT controls. These were:

- requirement to review and update IT security policies;
- formal recording of all database edits;
- periodic check of assigned privileges; and
- standardised recording of application system changes

These were separately communicated to the Digital Information Service (DIS):

During our final accounts audit we found some misclassification errors that would have been identified in internal consistency checks had been undertaken.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources and the Financial Services and HR Manager.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the Financial Services and HR Manager.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 22 July 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 22 July 2013.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	The revenue cycle includes fraudulent transactions Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual or significant transactions 	Our audit work has not identified any issues in respect of revenue recognition
2.	Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of accounting estimates, judgements and decisions made by management • review of unusual or significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>




Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed in relation to risk	Assurance gained & issues arising
Operating expenses	Operating expenses / creditors understated or not recorded in the correct period.	<ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Testing of key controls. • Substantive testing of operating expense transactions. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Testing of key controls. • Substantive testing of employee remuneration. 	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Substantive testing of Housing and Council Tax Benefit expenditure currently being undertaken. 	Our audit work has not identified any significant issues in relation to the risk identified, subject to the satisfactory completion of our detailed testing of housing and council tax benefit cases.
Property, plant & equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Review of valuation methodology. • Substantive testing of postings in relation to non-current asset revaluations. 	Our audit work has not identified any significant issues in relation to the risk identified. There have been significant downward revaluations and we are satisfied that they have been correctly measured and accounted for in 2012/13.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from provision of services is recognised when the percentage completion of the transaction can be reliably measured and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council. Grants and contributions are recognised when there is reasonable assurance the monies will be received and that any conditions attached will be met. Expenditure is recognised when goods or services are received rather than when payments are made. 	<p>The policies adopted are consistent with the Code.</p> <p>There is limited judgement involved in the accounting policies adopted by the Council and therefore limited financial impact flowing from the selection of accounting policies.</p> <p>Policies on revenue recognition are adequately disclosed in the statements.</p>	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include : <ul style="list-style-type: none"> IAS19 pension liability Revaluations Asset lives 	<p>Our work on IAS 19 figures has included specific enquiries to the auditor of Cumbria County Council, the pension fund's administering body. We have also considered work carried out centrally by PWC as consulting actuary to review the actuaries used by the Local Government Pension Scheme.</p> <p>Revaluations have been undertaken both by an in-house valuer and an external valuer. We are satisfied that the methodology adopted and the assumptions made are reasonable. There are significant downward revaluations in the financial statements due to Tullie House and Ghyll Bank being leased out to third parties.</p>	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	 Green

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Misclassification	332	Exceptional item in Comprehensive Income and Expenditure statement (CIES)	<p>An exceptional item of £10,114,000 on the face of the CIES was overstated as it included all revaluations charged to services. The exceptional item should related to the downward revaluations of Tullie House and Ghyll Bank only. The exceptional item was reduced to £9,782,000 and corresponding adjustments were made to service expenditure lines:</p> <ul style="list-style-type: none"> • Central Services (-£7,000); • Cultural and Related Services (+£59,000); • Other Housing Services (+£280,000) <p>This has no impact on the Net Cost of services.</p>
2	Misclassification	1,968	Financing and Investment Income and Expenditure (CIES)	<p>The accounting adjustment for work-in-progress on Trading Services was incorrectly posted against expenditure rather than income. An amendment was made to reduce both income and expenditure by £1,968,000. This had no impact on the Deficit on Provision of Services. This adjustment led to corresponding changes in Note 4.12 Amounts reported for Resource Allocation Decisions and Note 4.13 Trading Operations.</p>
3	Misclassification	1,292	Collection Fund	<p>Payments to the National Pool had not been adjusted for the amounts paid in 2012/13 but relating to 2011/12. This meant that Payments to the National Pool were overstated by £1,292,000 in the 2012/13 Collection Fund. Income from Business Ratepayers was overstated by the same amount so there was no impact on the surplus for the year or the fund balance.</p>

Misclassifications & disclosure changes (Continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.


Adjustment type	Value £'000	Account balance	Impact on the financial statements
4 Misclassification	N/A	Note 4.45: Capital Expenditure and Capital Financing	<p>The analysis of capital expenditure in this note was incorrect and was amended as follows:</p> <ul style="list-style-type: none"> • Property Plant and Equipment (+£973,000); • Investment Properties (-£1,008,000); • Heritage Assets (+£35,000). <p>This had no impact on the overall capital expenditure figure or the closing capital financing requirement.</p>
5 Disclosure	N/A	Note 4.51: Contingent Liabilities	A contingent liability was added to the note to recognise the Council's responsibilities in relation to potential work required to clean up contaminated land in the Carlisle area.
6 Disclosure	1,147	Note 4.36: Financial instruments – (b) Loans and receivables	Loans and receivables operational debtors was understated by £1,147,000 due to the incorrect exclusion of benefit overpayment debtors. This also led to an adjustment in the credit risk section of the note.
7 Disclosure	N/A	Various	Various minor changes were made to the supporting notes to improve presentation and ensure consistency.
8 Disclosure	N/A	Annual Governance Statement	The Annual Governance Statement (AGS) was based on the updated draft CIPFA / SOLACE Delivering Good Governance in Local Government guidance issued in August 2012. However the guidance was finalised in an Addendum in December 2012 and included several more areas which needed to be included in an updated AGS.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Red	<ul style="list-style-type: none"> Large misclassification errors were identified in the Collection Fund and Note 4.45 on Capital Expenditure and Capital Financing. The risk is that if internal consistency checks are not made the financial statements could be materially mis-stated. 	<ul style="list-style-type: none"> Ensure that Quality Assurance (QA) procedures include internal consistency checks between the statements and agreement with other grants and returns. This would highlight errors such as the incorrect disclosure of capital expenditure and the NNDR figures in the Collection Fund not agreeing to the NNDR3 claim.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Chair of the Audit Committee. We have been made aware of one fraud and there have also been a number of benefit frauds. Apart from these issues, we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Council.
4.	Disclosures	Our review highlighted some disclosure issues. Amendments were made in respect of these issues and they are highlighted in the misclassification and disclosure changes table. In general, we found that the financial statements complied with the requirements of the CIPFA Code of Practice on Local Authority Accounting.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted the Council has adequate systems and processes in place to manage financial risks effectively. This has helped it secure a stable financial position that enables it to continue to operate for the foreseeable future. Our work identified that the Council's General Fund balance at 31 March 2013 was £2.542 million and that will not reach its target level of £2.6 million until the 31 March 2015. We also identified the need to improve the profiling and delivery of the capital programme and to forecast the year end revenue and capital outturn from quarter two onwards. The details of our findings can be found in our separate report 'Review of the Council's arrangements for securing financial resilience for Carlisle City Council'.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. The Council's 'Transformation Programme' has provided a good basis for its strategic approach to delivering spending reductions. Some benchmarking has been undertaken to compare Carlisle's 2011/12 position against the district council average and historic cities group. Our work identified that public reporting of performance has been limited to an assessment against five service standards but less clear how performance against the Corporate Plan reported. Internal Audit has highlighted the need to improve contract monitoring arrangements for outsourced contracts.


Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
The Council's General Fund balance will not reach its target level of £2.6 million until the 31 March 2015.	Members are well aware of this issue as part of their consideration of the annual budget setting process and projections in the Medium Term Financial Plan (MTFP). The General Fund balance at 31 March 2013 was £2.542 million which is just below the Council set minimum level of £2.6 million.	Although members are well aware of the issue the General Fund balance is not expected to meet its target level until 31 March 2015. The Council continues to operate in an ever tightening financial environment which may impact further on balances. Members should continue to closely monitor the general Fund balance position.
The capital budget for 2012/13 was underspent by £3.42 million (42.9%) of the revised budget of £7.98 million. Delays in delivering capital projects can impact on service delivery. The Council expected £4.73 million to be spent in the last quarter of 2012/13 but only £1.20 million spent.	There is quarterly monitoring of the capital programme and adjustments are made to the overall budget on an on-going basis. Commentary is made on individual projects in quarterly monitoring reports.	Progress in delivering the capital programme is formally reported to the Executive on a quarterly basis. However underspending, often termed slippage, is a common feature of the capital programme and the Council needs to improve its profiling and delivery of its capital programme. Consideration should be given to how progress is reported and the potential impact of delays on service delivery.
The in-year capital monitoring reports do not include a year end projection and the in-year revenue monitoring was only included from quarter 3.	The in-year quarterly monitoring reports do provide information on spending to date and narrative commentary on the position.	Although in-year monitoring of capital and revenue is undertaken the lack of year end projections makes it difficult to assess the reasonableness of forecasting and does not provide members with an expectation against which to assess performance. There is a need to improve year end forecasting for revenue and capital and ensure that these forecasts are included from Quarter 2.
Public reporting on performance in 2012/13 has been limited to an assessment against five service standards but it is unclear how performance against the Corporate Plan is reported.	Directorate performance against the service plans is reported to the Senior Management Team (SMT) on a monthly basis. Any significant performance issues would be reported to full Council through the Portfolio holder reports.	No evidence of any significant problems with performance. Now that there is a new corporate plan in place 'Carlisle Plan 2013-2016' clear arrangements need to be in place to publically report performance against the plan.
Internal Audit weaknesses in the contract monitoring arrangements for outsourced contracts. Action plans have been agreed and the Council now needs to ensure that the recommendations are implemented.	Action plans agreed and the Council has already started to implement some of the recommendations e.g. Chief Accountant now attends update meetings with Carlisle Leisure Limited (CLL). High visibility of the issue in terms of the Audit Committee and Resources Overview and Scrutiny Committee.	Action plans have been agreed to improve contract monitoring arrangements for outsourced contracts. The Council now needs to ensure that the recommendations are implemented.

Section 4: Fees, non audit services and independence

- 
- 01. Executive summary
 - 02. Audit findings
 - 03. Value for Money
 - 04. Fees, non audit services and independence**
 - 05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit. We did not provide any non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	70,153	70,153
Grant certification	22,150	22,150
Total audit fees	92,303	92,303

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that Quality Assurance (QA) procedures include internal consistency checks between the statements and agreement with other grants and returns. This would highlight errors such as the incorrect disclosure of capital expenditure and the NNDR figures in the Collection Fund not agreeing to the NNDR3 claim.	Medium	The QA process will be strengthened to ensure that the statements agree to prime records and that all disclosure notes are consistent.	Financial Services & HR Manager Statement of Accounts 2013/14
2	Ensure the Annual Governance Statement published within the financial statements is compliant with the latest guidance.	Low	Relevant guidance will be reviewed to ensure compliance.	Financial Services & HR Manager Statement of Accounts 2013/14
3	Continue to closely monitor the general Fund balance position.	Medium	Use of revenue reserves will continue to be monitored via the quarterly monitoring reports; however half yearly MTFP reports providing details of revenue reserves will be introduced.	Director of Resources On-going
4	Consider how progress against the capital programme is reported, including assessing the potential impact of delays on service delivery.	Medium	The Corporate Programme Board will continue to monitor significant Council projects; however use of earmarked provisions for potential capital projects will be developed during the annual budget processes.	Director of Resources Budget Process 2014/15

Action plan (Continued)

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	Improve year end forecasting for revenue and capital and ensure that these forecasts are included from Quarter 2.	Medium	To form part of future Quarter 2 reports. The revised FS structure will facilitate improved budget monitoring with year end forecasts being provided in conjunction with Directors.	Financial Services & HR Manager Budget monitoring reports 2013/14 Quarter 3
6	Ensure there are clear arrangements need to be in place to publically report performance against the Carlisle Plan 2013-2016..	Low	Improvements have been implemented for monitoring performance against the 2013/14 Carlisle Plan.	Chief Executive 1 April 2013
7	Ensure that the recommendations to improve contract monitoring arrangements for outsourced contracts are implemented.	Medium	Revised staffing structures will facilitate this improvement with responsibilities for the monitoring of outsourced contracts being identified within job descriptions. An internal audit follow up report and regularly reporting of progress through Corporate Governance action plan will provide the necessary assurances.	Senior Management Team (SMT) January 2014

Appendix B: Audit opinion

We anticipate we will provide the Council with an unqualified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLISLE CITY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Carlisle City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Carlisle City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Carlisle City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA / SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Carlisle City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Carlisle City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard

Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 22 July 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated or not recorded in the correct period	No	All downward revaluations (£10.1m) recorded as an exceptional item in the CIES. Should be restricted to Tullie House and Ghyll Bank (£9.8m)
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	All downward revaluations (£10.1m) recorded as an exceptional item in the CIES. Should be restricted to Tullie House and Ghyll Bank (£9.8m)
Heritage assets & Investment property	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash and cash equivalents	Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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Report to Audit Committee

Agenda
Item:

A.4

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision:
Within Policy and
Budget Framework
Public / Private Public

Title: LETTER OF REPRESENTATION 2012/13
Report of: DIRECTOR OF RESOURCES
Report Number: RD43/13

Purpose / Summary:

The Audit of the Statement of Accounts for 2012/13 is substantially complete with the Auditors Audit Findings Report (ISA260) being considered elsewhere on the agenda. Following approval of that report, the Auditors will issue their formal opinion and the audit process for 2012/13 will be complete.

However, in accordance with Auditing Standards, a Letter of Representation must also be considered and approved by the Audit Committee before the audit opinion is provided. The Letter of Representation is attached to this report, and once approved, will be signed by the Director of Resources on behalf of the Council.

Recommendations:

The Committee is asked to approve the Letter of Representation for 2012/13.

Resources Directorate

Financial Services

Director of Resources: Peter Mason CPFA
Civic Centre, Carlisle, CA3 8QG • Telephone (01228) 817000 • Fax (01228) 817278
Typetalk 18001 01228 817000 • www.carlisle.gov.uk

Jackie Bellard
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Please ask for: Peter Mason
Direct Line: 01228 817270
E-mail: PeterM@carlisle.gov.uk
Your ref:
Our ref: AT

26 September 2013

Dear Mrs Bellard

Carlisle City Council

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of Carlisle City Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix The financial statements are free of material misstatements.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

- xx The Annual Governance Statement has been updated to ensure compliance with current guidelines and we are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 26 September 2013.

Signed on behalf of Carlisle City Council

Mr Peter Mason
Director of Resources.
26 September 2013

Report to Audit Committee

Agenda
Item:

A.5

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision:
Within Policy and
Budget Framework
Public / Private Public

Title: STATEMENT OF ACCOUNTS 2012/13
Report of: DIRECTOR OF RESOURCES
Report Number: RD44/13

Purpose / Summary:

The Council's Statement of Accounts 2012/13 has been subject to a 3 month audit process which commenced in July and which must be completed by the statutory deadline of 30th September.

The Audit is substantially complete with the Auditor's Audit Findings Report (ISA260) Report being considered elsewhere on the agenda. That report provides the Council with an unqualified opinion on both the Accounts and the VFM conclusion. It also details any issues found during the course of the audit process, and any amendments required to the Accounts which must be reported and approved by Members of the Audit Committee.

There are several recommendations made by the Auditor relating to the disclosure issues raised in the Audit Findings Report (ISA260). The completed action plan will be reviewed and closely monitored during 2013/14.

A revised set of accounts is attached to this report, incorporating all known and agreed amendments, for formal approval by the Audit Committee. However the Auditors are in the process of finalising their work and if further changes are required these will be discussed with Members at their meeting on 26th September.

Recommendations:

The Committee is asked to approve the 2012/13 Statement of Accounts and the Annual Governance Statement.



SINGLE ENTITY

STATEMENT OF ACCOUNTS

2012/13

STATEMENT OF ACCOUNTS

2012/13

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SECTION 1 – FOREWORD

1.1 Introduction

The City Council must prepare and publish a Statement of Accounts annually. Its purpose is to give electors, local taxpayers, Council Members, employees and other interested parties clear information about the Council's finances. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

The aim is to provide information on:

- the cost of providing Council services in 2012/13;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This foreword gives a guide to the most important matters included in the Statement of Accounts. The Statement for the year ended 31 March 2013 has been produced by the Director of Resources and consists of the following: -

(i) The Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Director of Resources for preparing the Statement of Accounts.

(ii) The Movement in Reserves Statement

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

(iii) The Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. In accordance with changes to the Service Reporting Code of Practice, the line for Cultural, Environmental Regulatory and Planning Services has now been split into three separate lines headed Cultural and Related Services, Environmental and Regulatory Services and Planning Services. Previous year comparative figures have been restated into these three headings.

(iv) The Balance Sheet

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

shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

(v) The Cash Flow Statement

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

(vi) Notes to the Financial Statements

These explain in more detail a number of entries in the core financial statements and include details of the Accounting Policies used in the preparation of the accounts.

(vii) The Collection Fund

This shows the total income received by the Council from council tax and business rates and how this has been distributed to all the authorities it is collected for, including the Council.

(viii) The Annual Governance Statement

This explains the framework within which internal control has been managed and reviewed by the Council during the year of account.

1.2 Revenue Expenditure and Financing

Revenue expenditure generally relates to resources which are used within a year and which are paid for from council tax, non-domestic rates, government grants, fees and charges for services and other income received by the Council.

Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council’s revised budget with its performance for 2012/13. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 10.

2012/13 Revenue Budget	£000
Approved Budget (Council Resolution - February 2012)	13,987
Carry Forward requests (2011/12 Outturn)	358
Revised Budget 2012/13 as at February 2013	14,345
Non-Recurring Expenditure	
Transformation Savings	(219)
Transformation Costs (Transformation Reserve)	432
Clean Up Carlisle	20
Revised Budget 2012/13	14,578

	Revised Budget £000	Actual £000	Variance £000
Local Environment	5,712	5,710	(2)
Community Engagement	8,003	7,889	(114)
Economic Development	1,930	1,823	(107)
Chief Executives	106	110	4
Resources	(3,001)	(3,583)	(582)
Governance	1,828	1,743	(85)
Service Expenditure	14,578	13,692	(886)
Parish Precepts	445	445	0
Total	15,023	14,137	(886)
Transfers from Reserves			
Residents Parking Reserve	0	192	192
Building Control Reserve	0	10	10
EEAC Reserve	(40)	(38)	2
JE Reserve	(25)	(37)	(12)
Transformation Reserve	(432)	(432)	0
General Fund Balance	(991)	(297)	694
Total Transfer from Reserves	(1,488)	(602)	886
Financed by:			
Precept from Collection Fund	(7,181)	(7,181)	0
National Non Domestic Rate Pool	(6,230)	(6,230)	0
Revenue Support Grant	(124)	(124)	0
Total Grants	(13,535)	(13,535)	0
Total	(15,023)	(14,137)	886
Contribution to General Fund Balance	0	0	0

The Council has total usable reserves of £5.184million, of which the total earmarked reserves held by the Council are £2.419million as at 31 March 2013 (£2.247 million at 31 March 2012). Further details can be found at note 4.5. The Council was under spent by £886,000 against the revised budget. This resulted in a lower use of reserves in 2012/13 than expected. However, of the under spend, £696,400 is earmarked for carry forward into future years.

The Council has other unusable reserves totalling £103.316million at 31 March 2013 (£123.947million at 31 March 2012). Certain reserves are kept to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

For a more detailed analysis of the breakdown of income and expenditure and explanation of variances from the budget a revenue outturn report for 2012/13 has been prepared which

provides additional information on the year end position. This is available upon request from the Director of Resources.

1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life in excess of one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and occasionally from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

(i) Capital Expenditure

The Council's revised capital programme for 2012/13 was approved at £7.979 million. Overall capital spending for 2012/13, however, totalled £4.560 million, resulting in an underspend of £3.419million of which £1.829million has been reprofiled to future years and £1.547m has been returned to reserves. Expenditure on Highways Claimed Rights capital work of £238,300 was also incurred which was fully funded by £238,300 of income from the County Council. This revises the total expenditure for 2012/13 to £4.798 million. The Council also undertook an exchange of assets with the County Council during the year and acquired assets to the value of £535,000. The overall programme can be summarised as follows:

	£000	£000
Revenue Expenditure funded from Capital Under Statute		
Disabled Facilities Grants	868	
Highways Claimed Rights	238	
Central Plaza Conservation	9	
Environmental Improvements	28	
Other Schemes	6	
		1,149
Capital Investment on Assets		
Old Town Hall	198	
Planned Major Repairs	331	
Industrial Estates	285	
Equipment, Vehicles & Plant	862	
City Council Buildings (including Community Centres)	81	
IT Projects	156	
Families Accommodation Replacement	1,008	
Historic Quarter	82	
Talkin Tarn	86	
Clean Up Carlisle	5	
Play & Multi-Use Games Areas	68	
Resource Centre	261	
Strategic Property Purchases	163	
Other Schemes	63	
		3,649
		4,798
Assets acquired via asset exchange	535	
		535
		5,333

The programme has been financed as follows:

	£000
Capital Receipts	2,554
Specified Capital Grant	663
Other Capital Grants and Contributions	356
Direct Revenue Financing	618
Reserves	9
Unfinanced Capital Expenditure (See para 1.5(ii))	598
Assets acquired via asset exchange	535
	5,333

(i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council currently has a stock issue of £15 million as its external borrowing liabilities. The Council has not yet taken advantage of the Prudential Borrowing regime introduced in April 2004, although this position is regularly reviewed in the light of total available capital resources.

(ii) Capital Receipts

The Council is dependent on capital receipts generated from the sale of its assets to pay for a significant proportion of its capital spending. This includes capital receipts arising from the sale of former council houses now owned by Riverside as part of the housing stock transfer agreed in 2002.

1.4 Pension Liability

The full implementation IAS 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £44.445m at 31 March 2013.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £44.445m million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains healthy. The deficit on the local government pension scheme will be made good by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

1.5 Significant Issues

(i) Significant Charges to Comprehensive Income and Expenditure Account

Included in the Comprehensive Income and Expenditure Statement within Services are downward Revaluations totalling £10.295million. There is a significant revaluation for Tullie House of £8.8million due to the revised valuation being based upon the peppercorn lease granted for occupation of the building by the trust (as required under the terms of the operating agreement).

Investment properties have also been revalued in line with the Code and this has seen a net reduction in value of £0.903million, primarily due to the revaluation of the Lanes which has resulted from falling rentals.

(ii) Usable Capital Receipts Set Aside

In previous years, £14.5million of unapplied usable capital receipts was transferred into the Capital Adjustment Account. The effect of this transfer reduced the Council's Capital Financing Requirement which in turn reduced the Council's Minimum Revenue Provision (MRP) liability. During 2012/13 £597,766 of cash from these receipts was used for capital expenditure, and this has reduced the available cash balance of these transferred receipts as at 31 March 2013 to £5,601,084. During 2012/13, surplus capital receipts were generated that were not used to finance capital expenditure and these too have been transferred into the Capital Adjustment Account. The receipts transferred in 2012/13 totalled £1,862,714, meaning the total balance held in the Capital Adjustment Account is £7,463,798.

The cash from these receipts is held within investments on the balance sheet and is available to fund capital expenditure in 2013/14 and future years.

(iii) Economic Climate

The effect of the economic downturn continued in 2012/13 as budget expectations took into account the expected effects of lower interest rates and other falls in income. However, further reductions in government grant funding, together with further reductions in income impacted on the Council's finances and action was required to deal with the impact of these on the revenue budget in order to achieve a balanced outturn position. The outcome of this can be seen in Note 4.12, where income has reduced from £11.440million in 2011/12 to £10.026million in 2012/13. However, the continued transformation programme has seen expenditure reductions, with employee expenses reducing from £19.567million in 2011/12 to £18.914million in 2012/13. Other expenditure has also reduced from £57.891million in 2011/12 to £56,854million in 2012/13.

1.6 Major Influences on the Authority

During 2012/13 the Council has continued with its programme of transformational change in order to make savings and efficiency savings in light of reducing funding levels.

1.7 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2012/13 Code of Practice on Local Authority Accounting.

1.8 Further Information

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Director of Resources, Civic Centre, Rickergate, Carlisle. 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 RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 The Responsibilities of the Council

The Council 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 Council, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

2.2 The Responsibilities of the Director of Resources

The Director of Resources is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Resources has:

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

The Director of Resources has also:

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

The Director of Resources is required to give a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Signed:



Date:

28 June 2013

Director of Resources

SECTION 3 – FINANCIAL STATEMENTS

3.1 Movement in Reserves Statement

2012/13	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Capital Receipts £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012		2,839	2,247	0	20	118	5,224	123,947	129,171
Movement in reserves during 2012/13									
Surplus/(deficit) on provision of services (accounting basis)		(12,761)	0	0	0	0	(12,761)	0	(12,761)
Other Comprehensive Income and expenditure		0	0	0	0	0	0	(7,910)	(7,910)
Total Comprehensive Income and Expenditure		(12,761)	0	0	0	0	(12,761)	(7,910)	(20,671)
Adjustments between accounting basis and funding basis under regulations	4.4	12,636	0	0	0	85	12,721	(12,721)	0
Net Increase / Decrease before Transfers to Earmarked Reserves		(125)	0	0	0	85	(40)	(20,631)	(20,671)
Transfers to/(from) Earmarked Reserves	4.5	(172)	172	0	0	0	0	0	0
Increase/Decrease in Year		(297)	172	0	0	85	(40)	(20,631)	(20,671)
Balance at 31 March 2013		2,542	2,419	0	20	203	5,184	103,316	108,500

2011/12 Comparative Figures	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Capital Receipts £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Restated Balance at 31 March 2011		3,721	2,741	0	20	137	6,619	135,814	142,433
Movement in reserves during 2011/12									
Surplus/(deficit) on provision of services (accounting basis)		(8,520)	0	0	0	0	(8,520)	0	(8,520)
Other Comprehensive Income and expenditure		0	0	0	0	0	0	(4,742)	(4,742)
Total Comprehensive Income and Expenditure		(8,520)	0	0	0	0	(8,520)	(4,742)	(13,262)
Adjustments between accounting basis and funding basis under regulations	4.4	7,144	0	0	0	(19)	7,125	(7,125)	0
Net Increase / Decrease before Transfers to Earmarked Reserves		(1,376)	0	0	0	(19)	(1,395)	(11,867)	(13,262)
Transfers to/(from) Earmarked Reserves	4.5	494	(494)	0	0	0	0	0	0
Increase/Decrease in Year		(882)	(494)	0	0	(19)	(1,395)	(11,867)	(13,262)
Balance at 31 March 2012		2,839	2,247	0	20	118	5,224	123,947	129,171

3.2 Comprehensive Income and Expenditure Statement

2011/12				Note	2012/13		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
12,875	(11,474)	1,401	Central Services		13,625	(11,875)	1,750
8,262	(1,089)	7,173	Cultural & Related Services		7,415	(780)	6,635
8,358	(3,533)	4,825	Environmental & Regulatory Services		7,627	(3,061)	4,566
3,497	(1,027)	2,470	Planning Services		3,101	(1,190)	1,911
3,706	(3,834)	(128)	Highways & Transport Services		3,437	(3,436)	1
36,507	(32,361)	4,146	Housing Services		35,072	(33,160)	1,912
3,103	(767)	2,336	Corporate & Democratic Core		2,180	(65)	2,115
177	0	177	Non Distributed Costs		(36)	0	(36)
0	0	0	Exceptional Items (Downward Revaluations)	4.7 / 4.27	9,782	0	9,782
76,485	(54,085)	22,400	Cost of Services	4.12(b)	82,203	(53,567)	28,636
590	(834)	(244)	Other Operating Expenditure	4.8	1,072	(449)	623
17,248	(15,356)	1,892	Financing and Investment Income and Expenditure	4.9	15,495	(16,765)	(1,270)
0	(5)	(5)	Surplus or Deficit of Discontinued Operations	4.26	0	0	0
0	(15,523)	(15,523)	Taxation and Non-Specific Grant Income	4.10	0	(15,228)	(15,228)
94,323	(85,803)	8,520	(Surplus) or Deficit on Provision of Services	4.12(b)	98,770	(86,009)	12,761
		(603)	Surplus or Deficit on Revaluation of Non Current Assets	4.44a			(223)
		5,345	Actuarial (Gains)/Losses on Pension Assets/Liabilities	4.44c			8,133
		4,742	Other Comprehensive Income & Expenditure				7,910
		13,262	Total Comprehensive Income & Expenditure				20,671

3.3 Balance Sheet

31 March 2012 £000		Note	31 March 2013	
			£000	£000
	Property, Plant and Equipment	4.29		
	Operational Assets			
186	Dwellings			181
38,175	Other Land & Building			27,335
3,442	Infrastructure Assets			3,497
3,770	Community Assets			3,832
5,803	Vehicles & Plant			5,254
	Non Operational Assets			
582	Surplus			582
221	Assets Under Construction			1,319
52,179	Total Property, Plant and Equipment			42,000
98,271	Investment Property	4.31		94,863
206	Intangible Assets	4.32		142
16,108	Heritage Assets	4.33		16,109
	Long Term Debtors	4.36b		
229	Transferred Debt - Cumbria County Council			206
63	Other Long Term Debtors			54
114,877				111,374
167,056	Total Long Term Assets			153,374
	Current Assets			
15,063	Short Term Investments	4.36b	17,110	
250	Assets Held for Sale	4.41	470	
118	Inventories	4.37	60	
5,085	Short Term Debtors	4.39	3,173	
432	Payments in Advance		457	
1,792	Cash and Cash Equivalents	4.40	2,110	
22,740	Total Current Assets			23,380
	Current Liabilities			
(884)	Cash and Cash Equivalents	4.40	0	
(483)	Short Term Borrowing	4.36a	(483)	
(443)	Provisions	4.43	(683)	
(4,939)	Short Term Creditors	4.42	(4,276)	
(15)	Capital Grants Receipts in Advance	4.46	0	
(1,815)	Receipts in Advance		(1,914)	
(8,579)	Total Current Liabilities			(7,356)
	Long Term Liabilities			
(1,154)	Long Term Creditors	4.42	(1,166)	
(15,000)	Long Term Borrowing	4.36a	(15,000)	
(214)	Provisions	4.43	(287)	
(35,678)	Other Long Term Liabilities (Pensions)	4.48d	(44,445)	
(52,046)	Total Long Term Liabilities			(60,898)
129,171	Net Assets			108,500

31 March 2012 £000	Balance Sheet (Cont.)	Note	31 March 2013	
			£000	£000
	Usable Reserves	4.5		
20	Deferred Credits		20	
0	Usable Capital receipts		0	
2,839	General Fund Reserve Balance		2,542	
2,247	Earmarked Reserves	4.5	2,419	
118	Capital Grants Unapplied Account		203	
5,224				5,184
	Unusable reserves	4.44		
(35,678)	Pension Reserve		(44,445)	
(69)	Employee Benefit Reserve		(80)	
139,210	Capital Adjustment Account		127,281	
58	Collection Fund Adjustment Account		65	
20,426	Revaluation Reserve		20,495	
123,947				103,316
129,171	Total Reserves			108,500

Certified that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Signed:



Date:

28 June 2013

Director of Resources

These accounts were originally authorised for issue on 28 June 2013 and have subsequently been re-authorised for issue on 16 September 2013.

Signed

Date

Director of Resources

Approved by the Audit Committee 26 September 2013-09-13

Signed

Date

L Patrick – Chair of Audit Committee

3.4 Cash Flow Statement

2011/12 £000		Note	2012/13 £000
8,520	Net surplus or deficit on the provision of services		12,761
(6,463)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.54	(20,540)
2,850	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.54	5,102
4,907	Net cash flows from Operating Activities		(2,677)
(3,190)	Net cash flows from Investing Activities	4.55	1,054
(1,319)	Net cash flows from Financing Activities	4.55	421
398	Net increase or decrease in cash and cash equivalents		(1,202)
1,306	Cash and cash equivalents at the beginning of the reporting period		908
908	Cash and cash equivalents at the end of the reporting period		2,110

SECTION 4 – NOTES TO THE ACCOUNTS

4.0 Accounting Policies

4.0.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

4.0.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as work in progress and included within inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4.0.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4.0.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the

accounts, depending on how significant the items are to an understanding of the Council's financial performance.

4.0.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4.0.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover these costs but is required to make an annual contribution to reduce its overall borrowing requirement. This is known as the Minimum Revenue Provision and is calculated as 4% of the Council's capital financing requirement at the start of the financial year. Depreciation, impairment losses, revaluation losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

4.0.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Cumbria County Council.

The scheme is a funded defined benefit scheme meaning that the scheme provides retirement lump sums and pensions, earned as employees work for the Council. As a defined benefit scheme it is shown within the Council's accounts using the following principles:

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 4.2%.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

Around 87% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into seven components and recognised in the Statements as follows:
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.
 - **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
 - **Interest cost** – the expected increase in the value of liabilities during the year as they move one year closer to being paid is charged to Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.
 - **Expected return on assets** – the annual investment return on fund assets attributable to the Council, based on an average of the expected long-term return is credited to Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

- **Gains and losses on settlements and curtailments** – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are charged to Non-Distributed Costs within Net Operating costs in the Comprehensive Income and Expenditure Statement.
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions are charged to other income and expenditure in the Comprehensive Income and Expenditure Statement.
- **Contributions paid to the Cumbria Local Government Pension Fund** – cash paid as employers' contributions to the pension fund. This is not accounted for as an expense.

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 4.48 to the Accounts.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This therefore means that within the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional transactions for retirement benefits and replace them with debits for the amounts paid to the pension fund in the year and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision and accounted for using the same policies as are applied to the LGPS.

4.0.8 Events after the Balance Sheet Date

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

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

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

4.0.9 Financial Instruments

Financial instruments held by the Council are all classed as either financial liabilities or financial assets (loans and receivables) under the 2012/13 Code.

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(i) Borrowing

Borrowing is classed as either a long-term liability, repayable after 12 months or longer, or a current liability if it is repayable within a 12 month period. Borrowing is shown in the Balance Sheet at amortised cost using the effective interest rate that applies to the individual loans comprising the total borrowing held by the Council. For borrowing held by the Council, this means that the amount shown in the balance sheet represents the outstanding principal payable to the lender and the interest on the borrowing that is charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year under the loan agreement.

(ii) Creditors

Creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the balance sheet represents the current value of the outstanding liabilities of the Council at 31 March as a proxy for amortised cost.

Financial Assets

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(i) Loans and Receivables

Investments

Investments are classed as either long-term assets, repayable after 12 months or longer, or as current assets if repayable within a 12-month period. Investments are shown in the Balance Sheet at amortised cost using the effective interest rate of the individual investments. For all the investments that the Council has made, this means that the amount shown in the balance sheet is the amount of principal due to be repaid to the Council and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable by the Council under the loan agreement.

Debtors (including mortgages)

Debtors are recognised when a contractual arrangement is entered into between the council and a debtor for the Council to provide goods and services for an agreed sum. The value of debtors in the balance sheet represents the current value of the outstanding debts owed to the Council at 31 March as a proxy for amortised cost.

Car Loans

Car Loans are provided to staff deemed to be essential users at a discounted rate of interest and therefore meet the definition of a soft loan within the 2012/13 Code. The value of car loans provided has not been recalculated at fair value as the difference between interest at fair value and the actual loan interest charged is not considered material.

Further details on Financial Instruments can be found in note 4.36 to the Financial Statements.

4.0.10 Government Grants and Contributions

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

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

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

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

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

4.0.11 Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

The majority of the Council's Heritage Assets are held in the Council's Museum. The Museum has four collections of heritage assets, Archaeology, Social History, Natural History and Fine and Decorative Arts, which are held in support of the primary objective of the Council's Museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However some of the measurement rules are relaxed in relation to heritage assets as described below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's primary collections of heritage assets are accounted for as follows.

Museum Collection

The Council's museum collection consists of a significant number of artefacts including pictures, prints, sculptures, china, glass, porcelain, coins, medals archaeological items, as well as significant numbers of social and natural history items, costumes and firearms. Museum collections are reported in the Council's balance sheet at insurance valuation which take into account current

market values. These insurance valuations are reviewed on an annual basis as part of the overall insurance premium renewal process.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations being based on appropriate insurance values. The Museum has a defined acquisitions and disposals policy for the period 2010-2015 that sets out the policy for the development of collections at the museum.

Heritage assets will not be subject to depreciation as it is not deemed appropriate to estimate a useful life for the assets held.

Statues, Monuments and other historical buildings

The Council has a number of statues and monuments and other historical buildings that it does not consider that reliable cost or valuation information can be obtained. This is due to the historical significance of such items. However, in some cases, historical cost information is recorded, particularly those that were previously classified as Community assets. Therefore, those items that were previously categorised as Community Assets will be recognised at their historic cost. This will be re-evaluated so that the most appropriate valuation basis is used, and those previously not recognised (primarily statues and monuments) will not be recognised on the balance sheet although appropriate disclosures made.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 4.0.18 in this summary of significant accounting policies. The trustees of the Council's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

4.0.12 Intangible Asset

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on

the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

4.0.13 Inventories and Long Term Contracts

Stocks are reflected in the balance sheet at current prices. This is a departure from the requirements of the Code and IAS 2 Inventories, which requires stocks to be shown at the lower of cost or net realisable value where they are acquired through an exchange transaction.

4.0.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

4.0.15 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

4.0.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

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

4.0.17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

4.0.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Deminimis levels have been set at:

- £5,000 for expenditure on individual items of vehicles, plant and equipment;
- £20,000 for expenditure on land, buildings and other structures.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Asset Category	Rate	Basis
Dwellings & Other Buildings	Useful Life	Straight Line
Infrastructure Assets	Useful Life	Straight Line
Vehicles, Plant, furniture & Equipment	Useful Life	Straight Line
Intangible Assets	Useful Life	Straight Line

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Componentisation

The Council has a policy on componentisation where any asset with a Gross Book Value of more than £1million and is subject to depreciation will be considered for componentisation where a component is deemed to be more than 5% of the assets value. This will primarily apply to buildings and the major components to be considered will be:

Component
Heating and Ventilation System
Windows
Electrical
Water Systems
Roofing
Lifts

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

4.0.19 Provisions, Contingent Liabilities and Contingent Assets**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

4.0.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

4.0.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

4.0.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

4.1 Accounting Standards that have been issued but have not yet been adopted

IAS 19 Employee Benefits (June 2011 amendments)

The adoption of the 2011 amendments to IAS19 Employee Benefits by the Code will result in a change in accounting policy that requires disclosure. The change in accounting policy will come into effect on 1 April 2013.

Under IAS19 the expected return on assets is replaced with “Interest on Assets”. This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year. The pension cost recognised in the CIES under IAS19 will see the interest cost and expected return on assets replaced with the “net interest cost”. This will be calculated as interest on pension liabilities (substantially the old interest cost) less the interest on assets.

The new IAS19 requires that all actuarial gains and losses be recognised in the year of occurrence via the Comprehensive Income and Expenditure Statement. Also, actuarial gains and losses on liabilities due to changes in actuarial assumptions need to be split between the effect of changes in financial assumptions and changes in demographic assumptions.

A separate item of Administration expenses will also be recognised within pension costs (note 4.22).

A restatement of the 2012/13 figures will be included in the 2013/14 Statement of Accounts and will result in an increase in the total pension cost recognised in the CIES and balance sheet from £3.438m to £3.956m, and a reduction in the actuarial losses from £8.133m to £7.615m.

IAS1 Presentation of Financial Statements – Other Comprehensive Income (June 2011 amendments)

Due to the changes outlined above, there will be presentational changes required to the Comprehensive Income and Expenditure Statement.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities)

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code in 2012/13 will result in a change of accounting policy that requires disclosure in the 2012/13 Statement of Accounts. The changes to the standard are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council’s financial position. However, the transfers described by the standard are not undertaken by Carlisle City Council, therefore no additional disclosures will be required.

4.2 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 4.0, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment (£42million at 31.03.13)	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme for major repairs has been reduced due to the Council directing its limited capital resources more strategically.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by £197,000 for every year that useful lives had to be reduced.
Debtors & Creditors (£3.173 million and £4.276million at 31.03.13)	Debtors and creditor accruals are prepared on known invoices received/due, or are based on estimates of grant claims, accounting adjustments calculated from systems, e.g. Collection Fund.	Any creditors or debtors that are paid in 2013/14 that differ from the accrual made will result in the difference being funded from the 2013/14 budget.
Pension Liability (£45.445million at 31.03.13)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.506million

4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2012/13:

- Income relating to the administration and payments of Benefits was received from Central Government totalling £38,877,595 (2011/12 £37,636,000) with corresponding payments of benefits totalling £38,690,000 (2011/12 £36,850,064).
- Council tax income of £7,187,000 (2011/12 £7,181,000) was credited to the Comprehensive Income and Expenditure Statement
- Redistributed NNDR of £6,230,000 (2011/12 £5,369,000) was received from Central Government.
- The continued Transformation programme of the Council resulted in Termination payments of £382,189 (2011/12 £618,678) being made in the year. These were charged to services and included redundancy pay and pension costs. These items were funded from the Transformation Reserve and salary savings.
- Downward revaluations of Property Plant and Equipment of £10.295million (2011/12 £2.750million).
- Downward revaluations of Investment Property of £0.903million (2011/12 £3.295million).
- Rental income from investment property of £4.673million (2011/12 £4,454,000).

Movement in Reserves Statement

4.4 Adjustments between accounting basis and funding basis under Regulations

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

	General Fund balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Short Term Compensated Absences	Total Authority Reserves
2012/13	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement												
(Amounts included in I&E to be removed for determining movement in general fund)												
Depreciation / Amortisation	2,647				2,647	(2,647)			(2,647)			0
Impairment/revaluation losses (charged to CIES)	10,266				10,266	(10,266)			(10,266)			0
Capital grant and contributions applied charged to CIES	(92)				(92)	92			92			0
Revenue Expenditure Funded from Capital under Statute (England and Wales)	246			(5)	241	(241)			(241)			0
Movement in market value of investment property	903				903	(903)			(903)			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,020				4,020	(4,020)			(4,020)			0
Capital grant and contributions unapplied credited to CIES	(109)			109	0	0			0			0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(5,015)		4,480		(535)	535			535			0
Costs of Disposal funded from Capital Receipts	63		(63)		0	0			0			0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,438				3,438	(3,438)		(3,438)				0
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)	(7)				(7)	7				7		0
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11				11	(11)					(11)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement												
(Amounts excluded in I&E to be included for determining movement in general fund)												
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(304)				(304)	304			304			0
Statutory Repayment of Debt (Finance Lease Liabilities)	0				0	0			0			0
Revenue contribution to finance capital	(627)				(627)	627			627			0
Employers contributions to pension schemes	(2,804)				(2,804)	2,804		2,804				0
Other adjustments include												
Use of capital grants and contributions to finance capital expenditure	0			(19)	(19)	19			19			0
Use of capital receipts reserve to finance capital expenditure	0		(2,554)		(2,554)	2,554			2,554			0
Voluntary Transfer of Capital receipts to Capital Adjustment Account			(1,863)		(1,863)	1,863			1,863			0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					0	0	(154)		154			0
Adjustments between accounting basis & funding basis under regulations	12,636	0	0	85	12,721	(12,721)	(154)	(634)	(11,929)	7	(11)	0

	General Fund balance	earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Short Term Compensated Absences	Total Authority Reserves
2011/12 Comparative Figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (Amounts included in I&E to be removed for determining movement in general fund)												
Depreciation / Amortisation	2,767				2,767	(2,767)			(2,767)			0
Impairment/revaluation losses (charged to CIES)	2,735				2,735	(2,735)			(2,735)			0
Capital grant and contributions applied charged to CIES	(853)				(853)	853			853			0
Revenue Expenditure Funded from Capital under Statute (England and Wales)	171			(9)	162	(162)			(162)			0
Movement in market value of investment property	3,295				3,295	(3,295)			(3,295)			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,430				1,430	(1,430)			(1,430)			0
Capital grant and contributions unapplied credited to CIES	0				0	0			0			0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,005)		2,005		0	0			0			0
Costs of Disposal funded from Capital Receipts	17		(17)		0	0			0			0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,229				3,229	(3,229)		(3,229)				0
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)	(15)				(15)	15				15		0
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6				6	(6)					(6)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in I&E to be included for determining movement in general fund)												
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(278)				(278)	278			278			0
Statutory Repayment of Debt (Finance Lease Liabilities)	0				0	0			0			0
Revenue contribution to finance capital	(454)				(454)	454			454			0
Employers contributions to pension schemes	(2,901)				(2,901)	2,901		2,901				0
Other adjustments include					0							0
Use of capital grants and contributions to finance capital expenditure	0			(10)	(10)	10			10			0
Use of capital receipts reserve to finance capital expenditure	0		(1,988)		(1,988)	1,988			1,988			0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					0	0	(101)		101			0
Adjustments between accounting basis & funding basis under regulations	7,144	0	0	(19)	7,125	(7,125)	(101)	(328)	(6,705)	15	(6)	0

4.5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance 31 March 2013
Capital:							
Lanes Capital Fund	326	0	14	340	0	14	354
CLL Reserve	522	0	0	522	0	0	522
Asset Investment Reserve	48	0	0	48	0	0	48
Total Capital Reserves	896	0	14	910	0	14	924
Revenue							
Projects Reserve	0	0	0	0	0	0	0
EEAC Reserve	192	(98)	0	94	(38)	0	56
Transformation Reserve	884	(407)	250	727	(432)	200	495
Welfare Reform Reserve	0	0	0	0	0	200	200
Job Evaluation Reserve	118	(81)	0	37	(37)	0	0
Residents Parking Reserve	(99)	(93)	0	(192)	0	192	0
Licensing Reserve	14	0	0	14	0	0	14
Building Control Reserve	(27)	0	0	(27)	0	10	(17)
Routledge Reserve	42	(42)	0	0	0	0	0
Sheepmount Reserve	42	(40)	0	2	(2)	0	0
Cremator Replacement Reserve	0	0	69	69	0	74	143
Conservation Fund	191	(66)	0	125	(9)	0	116
LSVT Warranties	488	0	0	488	0	0	488
Total Revenue Reserves	1,845	(827)	319	1,337	(518)	676	1,495
Total Earmarked Reserves	2,741	(827)	333	2,247	(518)	690	2,419
Other Usable Reserves							
Deferred Credits	20	0	0	20	0	0	20
General Fund Balance	3,721	(2,065)	1,183	2,839	(1,368)	1,071	2,542
Capital Grant Unapplied	137	(19)	0	118	(24)	109	203
Total Usable Reserves	6,619	(2,911)	1,516	5,224	(1,910)	1,870	5,184

4.6 Nature and Purpose of Reserves

The Council is required to maintain a number of reserves under the provisions of the Code. The reserves and their broad functions are as follows.

(a) Earmarked Reserves

This balance represents monies available to support revenue spending but which the Council have earmarked for specific purposes. Further details on individual earmarked reserves are contained within the Council's Medium Term Financial Plan, available upon request from the Director of Resources.

- (b) **Deferred Credits** This represents the balance of capital debtors recognised within long term debtors in respect of Housing Act Mortgage Debtors which remain outstanding at the year end and, therefore, cannot be counted within the useable capital receipts reserve.
- (c) **General Fund Balances**
This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.
- (d) **Capital Grants Unapplied**
This represents capital grants that have been received and recognised in the Comprehensive Income and Expenditure Statement but which have yet to be applied to finance capital expenditure.
- (e) **Useable Capital Receipts Reserve**
Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Useable Capital Receipts Reserve is a reserve established for specific statutory purposes.
- (f) **Capital Adjustment Account**
This account exists to capture those elements of capital accounting required by the Code other than those taken through the revaluation reserve.
- (g) **Pension Reserve**
This reserve captures those charges and movements required to be recognised under IAS 19 when calculating total gains and losses for the year but which are required to be excluded from the movement on general fund balances.
- (h) **Revaluation Reserve**
This reserve captures the cumulative surplus recognised (but not realised) on the revaluation of fixed assets held by the Council.
- (i) **Collection Fund Adjustment Account**
This account exists to capture the difference between the amount of income recognised in the Comprehensive Income and Expenditure Statement relating to the collection of Council Tax and that required by Statute to be charged to the General Fund.
- (j) **Employee Benefit Reserve**
This reserve exists to capture the difference between the amount of expenditure recognised in the Comprehensive Income and Expenditure Statement relating to accrued holiday pay and flexi time and that required by Statute to be charged to the General Fund.

Comprehensive Income and Expenditure

4.7 Exceptional Items

Due to the revaluation of assets undertaken during 2012/13, there have been some significant downward revaluations charged to the Comprehensive Income and Expenditure Statement. Further details of where these revaluations would normally be shown in the CIES can be found at Note 4.27. The major revaluation change relates to Tullie House, where the granting of a peppercorn lease to the Tullie House Trust for 30 years has resulted in a significant downward revaluation of £8.809million. There was also a significant reduction in the valuation for Low Harker Dene Travellers site by £0.973million, again due to the granting of a peppercorn lease.

4.8 Other Operating Expenditure

2011/12 £000		2012/13 £000
438	Parish Council Precepts	445
(682)	Gains/Losses on disposal of non-current assets	178
(244)	Total	623

4.9 Financing and Investment Income and Expenditure

2011/12 £000		Note	2012/13 £000
1,312	Interest payable and similar charges		1,298
1,079	Pensions interest cost and expected return on pension assets	4.22	1,257
(377)	Interest receivable and similar income		(393)
(355)	Income and expenditure in relation to investment properties and changes in their fair value	4.11	(3,520)
233	Surplus/Deficit on Trading Undertakings	4.13	88
1,892	Total		(1,270)

4.10 Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(7,181)	Council Tax Income	(7,187)
(5,369)	Non-Domestic Rates	(6,230)
(2,120)	Non-Ring-fenced Government Grants	(1,184)
(853)	Recognised Capital Grants & Contributions	(92)
0	Recognised contribution - exchanged asset	(535)
(15,523)	Total	(15,228)

4.11 Investment Properties

Amounts that have been recognised in the Comprehensive Income and Expenditure Statement relating to investment property are:

2011/12 £000		2012/13 £000
(4,454)	Rental Income from investment property	(4,673)
678	Direct operating expenses arising from investment property that generated rental income during the period	874
3,295	Change in Fair Value of Investment Properties	903
126	(Gains)/Losses on Disposal of Investment Properties	(624)
(355)	Net (Gain)/Loss	(3,520)

4.12 Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice* (SeRCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

(a) Service Expenditure

Directorate Income and Expenditure 2012/13	Chief Executive £000	Governance £000	Resources £000	Community Engagement £000	Economic Development £000	Local Environment £000	Total £000
Fees, charges and other service income	(32)	(457)	(5,121)	(1,132)	(1,099)	(2,185)	(10,026)
Interest and Other investment Income	0	0	(393)	0	0	0	(393)
Government Grants and contributions	(2)	(200)	(39,987)	(3,677)	(123)	(2,667)	(46,656)
Recharges / Support Services Recharges	0	0	(479)	0	0	(2,331)	(2,810)
Total Income	(34)	(657)	(45,980)	(4,809)	(1,222)	(7,183)	(59,885)
Employee Expenses	801	1,124	4,106	5,801	1,607	5,475	18,914
Other service charges	204	737	42,756	5,253	970	6,934	56,854
Recharges / Support Service Recharges	(861)	539	(4,465)	1,644	468	484	(2,191)
Total Expenditure	144	2,400	42,397	12,698	3,045	12,893	73,577
Net Expenditure	110	1,743	(3,583)	7,889	1,823	5,710	13,692

Directorate Income and Expenditure 2011/12 Comparative Figures	Chief Executive £000	Governance £000	Resources £000	Community Engagement £000	Economic Development £000	Local Environment £000	Total £000
Fees, charges and other service income	(7)	(608)	(4,885)	(936)	(919)	(4,085)	(11,440)
Interest and Other investment Income	0	0	(377)	0	(2)	0	(379)
Government Grants and contributions	(15)	(127)	(38,138)	(4,126)	(204)	(3,104)	(45,714)
Recharges / Support Services Recharges	0	0	(1,907)	0	0	(2,038)	(3,945)
Total Income	(22)	(735)	(45,307)	(5,062)	(1,125)	(9,227)	(61,478)
Employee Expenses	942	1,130	4,130	5,891	1,620	5,854	19,567
Other service charges	208	811	42,155	5,562	1,171	7,984	57,891
Recharges / Support Service Recharges	(102)	0	(613)	0	0	(9)	(724)
Total Expenditure	1,048	1,941	45,672	11,453	2,791	13,829	76,734
Net Expenditure	1,026	1,206	365	6,391	1,666	4,602	15,256

(b) Reconciliation to Subjective Analysis

This reconciliation shows how figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Directorate Analysis £000	Service and Support Services Not in Analysis £000	Amounts not reported to Management for Decision Making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(10,026)	0	(73)	7,249	0	(2,850)	(7,106)	(9,956)
Interest and Investment Income	(393)	0	0	393	0	0	(5,567)	(5,567)
Income from Council Tax	0	0	0	0	0	0	(7,187)	(7,187)
Government Grants and Contributions	(46,656)	0	(774)	1,031	0	(46,399)	(8,041)	(54,440)
Recharges	(2,810)	0	0	0	(1,508)	(4,318)	0	(4,318)
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	0	0	0	(4,541)	(4,541)
Change in Fair Value of Investment Property	0	0	0	0	0	0	0	0
Total Income	(59,885)	0	(847)	8,673	(1,508)	(53,567)	(32,442)	(86,009)
Employee Expenses	18,914	0	2,069	(2,680)	0	18,303	6,431	24,734
Other service expenses	56,854	0	911	(6,174)	0	51,591	3,395	54,986
Non-Support & Support Service Recharges	(2,191)	0	0	0	1,508	(683)	0	(683)
Depreciation, amortisation and impairment	0	0	12,943	0	0	12,943	0	12,943
Interest Payments	0	0	0	0	0	0	1,298	1,298
Precepts and Levies	0	0	0	0	0	0	445	445
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	49	0	0	49	4,095	4,144
Change in Fair Value of Investment Property	0	0	0	0	0	0	903	903
Total Expenditure	73,577	0	15,972	(8,854)	1,508	82,203	16,567	98,770
Surplus/Deficit on Provision of Services	13,692	0	15,125	(181)	0	28,636	(15,875)	12,761

2011/12 Comparative Figures	Directorate Analysis £000	Service and Support Services Not in Analysis £000	Amounts not reported to Management for Decision Making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(11,440)	0	(1,103)	7,673	0	(4,870)	(8,166)	(13,036)
Interest and Investment Income	(379)	0	0	377	0	(2)	(6,043)	(6,045)
Income from Council Tax	0	0	0	0	0	0	(7,181)	(7,181)
Government Grants and Contributions	(45,714)	0	0	446	0	(45,268)	(8,342)	(53,610)
Recharges	(3,945)	0	0	0	0	(3,945)	0	(3,945)
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	0	0	0	(1,986)	(1,986)
Change in Fair Value of Investment Property	0	0	0	0	0	0	0	0
Total Income	(61,478)	0	(1,103)	8,496	0	(54,085)	(31,718)	(85,803)
Employee Expenses	19,567	0	1,952	(2,696)	0	18,823	6,745	25,568
Other service expenses	57,891	0	1,204	(4,912)	0	54,183	4,618	58,801
Non-Support & Support Service Recharges	(724)	0	0	0	0	(724)	0	(724)
Depreciation, amortisation and impairment	0	0	5,517	0	0	5,517	0	5,517
Interest Payments	0	0	0	(1,312)	0	(1,312)	1,312	0
Precepts and Levies	0	0	0	0	0	0	438	438
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	(2)	0	0	(2)	1,430	1,428
Change in Fair Value of Investment Property	0	0	0	0	0	0	3,295	3,295
Total Expenditure	76,734	0	8,671	(8,920)	0	76,485	17,838	94,323
Surplus/Deficit on Provision of Services	15,256	0	7,568	(424)	0	22,400	(13,880)	8,520

(c) Reconciliation of directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12 £000		2012/13 £000
15,256	Net expenditure in the directorate analysis	13,692
0	Add Services not included in the main analysis	0
7,568	Add amounts not reported to Management	15,125
(424)	Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(181)
22,400	Net Cost of Services in Comprehensive Income and Expenditure Statement	28,636

4.13 Trading Operations

A number of Council Services are operated on a commercial basis. The turnover and (surplus)/deficit of these services are shown below.

(Surplus)/ Deficit 2011/12 £000	Activity	Gross Expenditure 2012/13 £000	Gross Income 2012/13 £000	(Surplus) / Deficit 2012/13 £000
242	Building Cleaning & Maintenance	576	(565)	11
12	Highways	992	(981)	11
0	Transport	352	(352)	0
(21)	Parking Patrols	335	(337)	(2)
0	Grounds	198	(198)	0
0	Other	68	0	68
233	Total Internal Trading	2,521	(2,433)	88
233	Total	2,521	(2,433)	88

4.14 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 no contribution in 2012/13 (2011/12: £30,000) to a pooled budget in this scheme, which is included in Cultural, Environmental, Regulatory and Planning Services in the Comprehensive Income and Expenditure Statement.

4.15 Agency Income and Expenditure

In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Council's share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement (£7.187million).

The Council also acts as an agent in collecting National Non-Domestic Rates (NNDR) on behalf of the Government. Only the income received in NNDR redistribution (£6.230million) is recognised in the Comprehensive Income and Expenditure Statement.

The Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and NNDR. The Collection Fund is included as a supplementary statement.

4.16 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 2012/13 are as follows:

2011/12 £000		2012/13 £000
	Type of Allowance	
245	Basic Allowance	245
85	Special Responsibility Allowance	82
23	Conference/Other Allowances	16
353	Total	343

4.17 Officers' Remuneration

The Accounts and Audit Regulations 2011 require that local authorities disclose details of the number of employees whose remuneration exceeds £50,000 in bands of £5,000. The table below includes senior employees who are also subject to additional disclosure below.

Remuneration includes any payments made on termination of employment, but does not include pension contributions.

The Accounts and Audit Regulations 2011 also now requires that local authorities disclose the individual remuneration details of senior employees by job title for a number of categories if their annual salary is above £50,000. For the purpose of disclosure, senior employees are defined by the Council as Director Level and above.

Remuneration Banding (incl Termination Payments)	Number of Employees			
	2012/13	Left During Year	2011/12	Left During Year
Between £50,000 and £54,999	2	0	4	1
Between £55,000 and £59,999	0	0	1	0
Between £60,000 and £64,999	5	0	4	0
Between £65,000 and £69,999	0	0	0	0
Between £70,000 and £74,999	1	1	0	0
Between £75,000 and £79,999	1	1	1	0
Between £80,000 and £84,999	1	0	0	0
Between £85,000 and £89,999	0	0	0	0
Between £90,000 and £94,999	1	1	1	0
Between £95,000 and £99,999	1	1	0	0
Between £100,000 and £104,999	1	0	0	0
Total Number of Employees (Including Senior Employees)	13	4	11	1

Post	Salaries, fees & allowances	Expenses allowance	Compensation for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension £000	Pension Contribution £000	Total Remuneration £000
2012/13	£000	£000	£000	£000	£000	£000	£000
Chief Executive	97	0	0	8	105	11	116
Deputy Chief Executive	75	0	0	7	82	9	91
Director of Governance	58	0	0	4	62	7	69
Director of Economic Development	58	0	0	5	63	7	70
Director of Local Environment	58	0	0	5	63	7	70
Director of Community Engagement	58	0	0	5	63	7	70
Director of Resources	58	0	0	4	62	7	69
Total	462	0	0	38	500	55	555

Post	Salaries, fees & allowances	Expenses allowance	Compensation for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension £000	Pension Contribution £000	Total Remuneration £000
2011/12 Comparative Figures	£000	£000	£000	£000	£000	£000	£000
Chief Executive (previously Strategic Director - Deputy Chief Exec)	92	0	0	8	100	11	111
Chief Executive (left 30/08/11)	43	0	0	4	47	5	52
Deputy Chief Executive (Previously Strategic Director)	73	0	0	6	79	9	88
Director of Governance (Previously Assistant Director)	58	0	0	5	63	7	70
Director of Economic Development (Previously Assistant Director)	58	0	0	5	63	7	70
Director of Local Environment (Previously Assistant Director)	58	0	0	5	63	7	70
Director of Community Engagement (Previously Assistant Director)	58	0	0	5	63	7	70
Director of Resources (Previously Assistant Director)	58	0	0	5	63	7	70
Total	498	0	0	43	541	60	601

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

	Number of Compulsory Redundancies		Number of other Agreed Departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000	2012/13 £000
£0 - £20,000	8	9	11	3	19	12	153	104
£20,001 - £40,000	5	1	4	0	9	1	226	26
£40,001 - £60,000	1	0	4	3	5	3	240	138
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	114
Total	14	10	19	7	33	17	619	382

4.18 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, the certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

2011/12 £000		2012/13 £000
117	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	70
44	Fees payable to the Grant Thornton for the certification of grant claims and returns	22
12	Additional audit fee in respect of the 2010/11 audit but paid in 2011/12.	0
1	Fees payable in respect of other services provided by the appointed auditor	1
76	Fees payable in respect of objections to 2009/10 accounts	0
250	Total	93

4.19 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
82	Play Areas Grant	60
7	Chances Park Multi Use Games Area Grant	0
174	Resource Centre Grant	0
24	Chances Park Grant	0
234	Roman Gateway Grant	0
63	City Play Trail Grant	0
58	Play Areas Contribution	0
100	Vehicle replacement Contribution	0
6	Chances Park Multi Use Games Area Contribution	(19)
2	Roman Gateway Contribution	0
103	Trinity Church Multi Use Games Area Contribution	0
0	Old Town Hall	22
0	Castle Way Cycle Ramp (S106)	23
0	Cenotaph Improvements	6
853	Total	92
	Credited to Services	
64	Economic Regeneration	85
78	Supporting Vulnerable People	74
30,165	Housing Benefit Subsidy	31,328
7,471	Council Tax Benefit	7,549
30	Benefits	73
94	Other Grants	54
1,594	Revenue Expenditure funded by Capital	903
39,496	Total	40,066

4.20 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions will allow readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.12 on reporting for resource allocation decisions. Grant receipts receivable at 31 March 2013 are shown in Note 4.19. As at 31 March 2013, the balance of Creditors owing to Central Government departments

was £0.892million. The balance of debtors owed from Central Government departments was £0.154million.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2012/13 is shown in Note 4.16. All elected members of the Council were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2012/13.

Eighteen Members declared an interest in Community Centres around the Carlisle area. The Council paid £302,500 to Community Centres during 2012/13.

2011/12 £000		2012/13 £000
19	Belah Community Centre	16
25	Botcherby Community Centre	22
38	Brampton Community Centre	42
38	Currock Community Centre	31
23	Denton Holme Community Centre	18
17	Greystone Community Centre	14
46	Harraby Community Centre	36
57	Longtown Community Centre	45
60	Morton Community Centre	48
20	Petteril Bank Community Centre	18
3	Raffles Community Centre	0
16	Yewdale Community Centre	12
362	Grants paid to Community Centres	302

Officers

During 2012/13 16 officers who are considered to be key management personnel were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2012/13. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2012/13.

Other Public Bodies

The Council has a pooled budget arrangement with Eden District Council for the Crime and Disorder Reduction Partnership. Details of contributions made can be found in Note 4.14.

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.22 to the Financial Statements. The balance owed to the Pension fund at 31 March, and shown as a creditor in the balance sheet was £230,218.

4.21 Termination Benefits

The Council terminated the contracts of a number of employees during 2012/13, incurring liabilities of £382,189 (£618,678 in 2011/12). This total is payable to 17 officers from the Council who were made redundant as part of the Council's Transformation process.

4.22 Pension Costs

In 2012/13, the City Council paid an employer's contribution of £1,499,629 into the Cumbria County Council Pension Fund, representing 11.8% plus £1,051,000 deficit funding (2011/12: £1,406,024 representing 11.8% and £1,003,000 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2011 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2011. The Council is also responsible for all pension payments relating to unfunded added years benefits awarded to its employees together with any related increases. In 2012/13 the value of these benefits amounted to £132,654 representing 1.1% of pensionable pay (2011/12 £149,352 and 1.3% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2011/12 £000		2012/13 £000
1,922	Current Service Cost	2,059
8	Past Service Cost / (Gain)	60
220	Curtailment Cost	62
(5,666)	Expected Return on Pension Assets	(5,174)
6,745	Pension Interest Costs	6,431
3,229	Total	3,438
(2,901)	Contributions paid to Pension Scheme	(2,804)
328	Contributions (to) / from Pension Reserve	634

4.23 Gains/Losses on Sale of Property, Plant and Equipment

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for the year 2012/13 is as follows: -

2011/12 £000		2012/13 £000
(257)	Preserved Right To Buy Sales	(267)
(425)	Other	445
(682)	Total	178

4.24 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. 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:

2011/12				2012/13		
Charge-able £000	Non Charge-able £000	Total £000		Charge-able £000	Non Charge-able £000	Total £000
			Expenditure			
185	111	296	Employee Costs	180	107	287
0	1	1	Premises Expenses	0	1	1
13	8	21	Transport Expenses	12	9	21
5	14	19	Supplies & Services	8	17	25
1	1	2	Agency & Contracted Services	3	1	4
59	54	113	Central & Support Services	65	35	100
263	189	452	Total Expenditure	268	170	438
			Income			
(252)	0	(252)	Building Regulation Charges	(264)	0	(264)
(11)	0	(11)	Other Income	(14)	0	(14)
(263)	0	(263)	Total Income	(278)	0	(278)
0	189	189	(Surplus)/Deficit for the Year	(10)	170	160

4.25 Revenue Expenditure Funded from Capital Under Statute

Items of revenue expenditure funded from capital under statute, which are not financed by government grants, are written off to the Comprehensive Income and Expenditure Statement during the year. The value for 2012/13 is as follows: -

2011/12				2012/13		
Expend-iture £000	Grants Utilised £000	Amounts Written Off £000		Expend-iture £000	Grants Utilised £000	Amounts Written Off £000
1,032	(1,029)	(3)	Disabled Facilities Grants	868	(668)	(200)
561	(561)	0	Highways Claimed Rights	238	(238)	0
0	0	0	Capitalised Redundancy Costs	0	0	0
87	(12)	(75)	Improvement Grants	0	0	0
85	(1)	(84)	Other	43	(2)	(41)
1,765	(1,603)	(162)	Total	1,149	(908)	(241)

4.26 Discontinued Operations

The Housing Revenue Account was formally closed on 1 April 2005. All transactions relating to the former HRA are shown within the Comprehensive Income and Expenditure Statement as discontinued operations.

4.27 Downward Revaluations

During 2012/13 the value of Non-Current Assets that were revalued downward and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £11.198million (2011/12 £6.045million). This was split between investment properties £0.903million (2011/12 £3.295million) and other items of Property, Plant and Equipment and surplus assets £10.295m (2011/12 £2.750million). Change in fair value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.9. Movements in other Property, Plant and Equipment are shown in the Comprehensive Income and Expenditure Account within Net cost of Services and also as an Exceptional Item (Note 4.7). The table below shows the service line that all downward revaluations were originally charged to.

2011/12 £000		2012/13 £000
2	Central Services to the Public	(7)
73	Cultural & Related Services	8,868
(31)	Environmental & Regulatory Services	0
118	Planning Services	0
4	Highways and Transport Services	0
2,415	Other Housing Services	1,253
24	Corporate & Democratic Core	0
2,605	Total Included in Net Cost of Services	10,114
145	Surplus/Deficit on Trading Undertakings	181
2,750	Total	10,295

4.28 Shared Services

During 2012/13 the Council continued to share services for ICT, Revenues and Benefits and Internal Audit. ICT is shared with Allerdale Borough Council who act as the host authority. Revenues and Benefits is hosted by Carlisle City Council and the partners are Copeland Borough Council and Allerdale Borough Council. The County Council is the host for the Internal Audit shared service with partners, Carlisle City Council and Copeland Borough Council. The costs and income associated with all shared services are shown in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

The Revenues and Benefits shared service is primarily a sharing of staff and IT systems. All other costs associated with the running of the services are held by each individual authority. Therefore, the total cost of the Shared Service for 2012/13 was £3,352,361 (2011/12 £3,331,948) and contributions were received from Copeland totalling £935,685 (2011/12 £928,723) and Allerdale totalling £1,168,281 (2011/12 £1,160,904).

For the ICT shared service, the Council made contributions to Allerdale totalling £1,214,712 (2011/12 £1,203,724) with expenditure incurred directly by Carlisle totalling £140,238 (2011/12 £91,421).

For all shared services, each Authority has accounted for its contracted share of Income and expenditure and its share of any debtors and creditors on the balance sheet.

Balance Sheet**4.29 Property Plant and Equipment**

Movements in 2012/13	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2012	201	39,054	15,043	3,849	3,770	221	582	62,720
Additions/Enhancements	0	947	1,041	114	62	1,008	0	3,172
Disposals	0	(491)	(730)	0		0	0	(1,221)
Reclassifications	0	(220)	0	0	0	90	0	(130)
Revaluations Taken to Revaluation Reserve	0	(1,290)	0	0	0	0	0	(1,290)
Revaluations Charged to Surplus/Deficit on Provision of Services 2012/13	0	(10,529)	0	0	0	0	0	(10,529)
Reverse Downward Revaluations Previously Charged to Surplus/Deficit on Provision of Service	0	127	0	0	0	0	0	127
Valuation as at 31 March 2013	201	27,598	15,354	3,963	3,832	1,319	582	52,849
Depreciation								
Accumulated Dep'n at 1 April 2012	(15)	(879)	(9,104)	(407)	0	0	0	(10,405)
Depreciation Charge to CIES 2012/13	(5)	(1,071)	(1,448)	(59)	0	0	0	(2,583)
Depreciation on Disposals	0	5	588	0	0	0	0	593
Depreciation w/out to Revaluation Reserve	0	1,513	0	0	0	0	0	1,513
Depreciation w/out to Surplus/Deficit on Provision of Services	0	169	0	0	0	0	0	169
Accumulated Dep'n at 31 March 2013	(20)	(263)	(9,964)	(466)	0	0	0	(10,713)
Impairments								
Accumulated Impairment 1 April 2012	0	0	(136)	0	0	0	0	(136)
Impairments Charge to Surplus/Deficit on Provision of Service 2012/13	0	0	0	0	0	0	0	0
Impairments (W/Out Dep'n)	0	0	0	0	0	0	0	0
Accumulated Impairments at 31 March 2013	0	0	(136)	0	0	0	0	(136)
Net Book Value at 31 March 2013	181	27,335	5,254	3,497	3,832	1,319	582	42,000
Net Book Value at 31 March 2012	186	38,175	5,803	3,442	3,770	221	582	52,179
Nature of Asset holding								
Owned	181	27,335	5,254	3,497	3,832	1,319	582	42,000
Finance Lease	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	181	27,335	5,254	3,497	3,832	1,319	582	42,000
Historic Cost Valuation								
Net Book Value 31 March 2013	176	22,240	5,254	3,498	3,832	1,319	582	36,901
Net Book Value 31 March 2012	181	33,151	5,803	3,442	3,770	2,840	685	49,872

Movements in 2011/12	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2011	201	38,155	14,743	2,957	3,445	2,840	685	63,026
Additions/Enhancements	0	1,016	306	30	212	1,953	0	3,517
Disposals	0	(152)	(6)	0	0	0	0	(158)
Reclassifications	0	2,786	0	862	113	(4,572)	0	(811)
Revaluations Taken to Revaluation Reserve	0	(59)	0	0	0	0	0	(59)
Revaluations Charged to Surplus/Deficit on Provision of Services 2011/12	0	(2,692)	0	0	0	0	(103)	(2,795)
Reverse Downward Revaluations Previously Charged to Surplus/Deficit on Provision of Service	0	0	0	0	0	0	0	0
Valuation as at 31 March 2012	201	39,054	15,043	3,849	3,770	221	582	62,720
Depreciation								
Accumulated Dep'n at 1 April 2011	(10)	(790)	(7,404)	(348)	0	0	0	(8,552)
Depreciation Charge to CIES 2011/12	(5)	(939)	(1,706)	(59)	0	0	0	(2,709)
Depreciation on Disposals	0	0	6	0	0	0	0	6
Depreciation w/out to Revaluation Reserve	0	662	0	0	0	0	0	662
Depreciation w/out to Surplus/Deficit on Provision of Services	0	188	0	0	0	0	0	188
Accumulated Dep'n at 31 March 2012	(15)	(879)	(9,104)	(407)	0	0	0	(10,405)
Impairments								
Accumulated Impairment 1 April 2011	0	0	(136)	0	0	0	0	(136)
Impairments Charge to Surplus/Deficit on Provision of Service 2011/12	0	0	0	0	0	0	0	0
Impairments (W/Out Dep'n)	0	0	0	0	0	0	0	0
Accumulated Impairments at 31 March 2012	0	0	(136)	0	0	0	0	(136)
Net Book Value at 31 March 2012	186	38,175	5,803	3,442	3,770	221	582	52,179
Net Book Value at 31 March 2011	191	37,365	7,203	2,609	3,445	2,840	685	54,338
Nature of Asset holding								
Owned	186	38,175	5,803	3,442	3,770	221	582	52,179
Finance Lease	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	186	38,175	5,803	3,442	3,770	221	582	52,179
Historic Cost Valuation								
Net Book Value 31 March 2012	181	33,151	5,803	3,442	3,770	2,840	685	49,872
Net Book Value 31 March 2011	185	32,414	7,203	2,609	3,445	2,840	685	49,381

(a) Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Asset Category	Rate	Basis
Dwellings & Other Buildings	10 – 50 Years	Straight Line
Infrastructure Assets	40 – 50 Years	Straight Line
Vehicles, Plant, furniture & Equipment	3 – 20 Years	Straight Line
Intangible Assets	3 – 5 Years	Straight Line

(b) Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £744,000. Similar commitments at 31 March 2012 were £944,000. The major commitments are:

	£000
Improvement Grant Commitments	159
Vehicle Replacement	246
Other Capital Commitments	339
	744

(c) Effects of Changes in Estimates

In 2012/13, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

4.30 Bases of Valuation

From 1 April 1994 all of the City Council's property, plant and equipment have been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in Note 4.0 (Statement of Accounting Policies).

Valuations are carried out via a rolling five-year revaluation programme with all assets being re-valued at intervals of not more than five years. Valuations for 2012/13 were carried out by R Simmons (Property Services Manager) ARICS and T Hargreaves (Hyde Harrington) BSc FRICS, RICS.

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

	Council Dwellings £000	Other Land & Buildings £000	Surplus £000
Valued at Historic Cost	0	25	0
Valued at Current Value in:			
2012/13	0	18,498	0
2011/12	0	75	472
2010/11	0	750	0
2009/10	0	100	0
2008/09	201	8,150	110
2007/08 and prior years	0	0	0
Total	201	27,598	582

Community Assets, Vehicles, Plant and Equipment, and infrastructure valued at historic cost are excluded from the above analysis.

The table below shows the number and types of asset the Council reports on its balance sheet

31 March 2012		31 March 2013
1	Civic Centre	1
15	Depots and Workshops	11
14	Off Street Car Parks	12
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
4	Hostels/Homeshares	4
1	Crematorium	1
97	Industrial Units	75
12	Community Centres	12
7	Industrial Estates	7

4.31 Investment Properties

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

The Council does not classify any property interests held under operating leases as Investment Properties.

The fair value of Investment property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2012/13 were carried out by R Simmons (Property Services Manager) ARICS and T Hargreaves (Hyde Harrington) BSc FRICS, RICS. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

2011/12 £000		2012/13 £000
102,033	Opening Balance at 1 April 2012 of Investment Property	98,271
324	Additions due to acquisitions	147
212	Additions to existing assets	295
0	Additions through Exchange of Assets	535
(748)	Disposals	(3,392)
(255)	Reclassifications	(90)
(3,295)	Net gains or losses from fair value adjustments	(903)
98,271	Closing Balance at 31 March 2013 of Investment Property	94,863

4.32 Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. All intangibles are amortised over a useful life of 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £63,400 charged to revenue in 2012/13 was charged to the relevant service heading.

2011/12 £000		2012/13 £000
	Cost or Valuation	
287	Valuation at 1 April	332
45	Additions acquired separately	0
332	Valuation at 31 March	332
	Amortisation	
(68)	Accumulated amortisation at 1 April	(126)
(58)	Amortisation Charge for year	(64)
(126)	Accumulated amortisation at 31 March	(190)
	Impairments	
0	Accumulated Impairment at 31 March	0
206	Net Book Closing Value (31 March)	142
219	Net Book Opening Value (1 April)	206

4.33 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	Statues, Monuments & historic Land- marks £000	Pictures, Prints & Sculpture £000	China, Glass & Porcelain £000	Archaeol- ogy £000	Natural History £000	Other Museum Collection £000	Civic Regalia £000	Total £000
Cost or Valuation								
Valuation as at 1 April 2011	114	11,500	1,260	600	600	1,149	183	15,406
Additions	15	15	0	0	0	0	0	30
Reclassifications	816	0	0	0	0	0	0	816
Revaluations	(129)	(15)	0	0	0	0	0	(144)
Valuation as at 31 March 2012	816	11,500	1,260	600	600	1,149	183	16,108
Cost or Valuation								
Valuation as at 1 April 2012	816	11,500	1,260	600	600	1,149	183	16,108
Additions	36	29	0	0	0	0	0	65
Revaluations	(35)	(29)	0	0	0	0	0	(64)
Valuation as at 31 March 2013	817	11,500	1,260	600	600	1,149	183	16,109

a) Statues, Monuments and Historic Landmarks

The Council's collection of statues, monuments and historic landmarks are carried at Historic cost where known. This is primarily assets that have been previously been classified as Community assets and includes, Dixons Chimney, West Walls, Castle Banks and the Public Realm works for the Roman Frontier.

Other statues and monuments are not recorded on the balance sheet as valuation is not considered to be possible. These include the following assets:

- Market Cross, Greenmarket
- Queen Victoria Statue, Bitts Park
- James Creighton Statue, Hardwicke Circus,
- James Steel Statue, English Street
- Earl of Lowther Statue, The Crescent
- Cenotaph, Rickerby Park
- War Memorial, Greenmarket
- War Memorial, Richardson St Cemetery
- War Memorial, Botcherby Community Centre
- War Memorial, Stanwix Cemetery
- Hyssop Holme Well, Etterby

b) Pictures, Prints and Sculptures

The Council's collection of pictures, prints and sculptures is reported in the Balance Sheet at insurance valuation. The schedule covers some 4,800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £600,000 and this is a painting from 1868 titled Risen at Dawn; Gretchen Discovering Faust's Jewels, by Dante Gabriel Charles Rossetti. There are a further 4 items with an individual valuation of £250,000 each and a further 10 items valued over £100,000 each.

c) China, Glass and Porcelain

The Council's collection of china, glass and porcelain is reported in the Balance sheet at insurance valuation. The schedule covers some 800 items. The insurance cover is

renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There are no significant individual items, the largest single valuation being £15,000 for a figurine.

d) Archaeology

The Council's collection of archaeology is reported in the Balance sheet at insurance valuation. The schedule covers some 20,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

e) Natural History

The Council's collection of natural history is reported in the Balance sheet at insurance valuation. The schedule covers some 816,500 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

f) Other Museum collection

The Council's other museum collections include items of social history, silver, coins and medals, fire-arms, musical instruments and costumes and clothing and is reported in the Balance sheet at insurance valuation. The schedule covers c.22,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

g) Civic Regalia

The Council's Civic Regalia is reported in the Balance sheet at insurance valuation. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

h) Other heritage assets not included in the balance sheet

The Council's owns other items that are classified as heritage assets but which do not hold a valuation and for which it would not be cost effective to obtain a valuation. These include:

- Mayoral picture gallery, Civic Centre
- Various pictures, sculptures and paintings, 1st floor Civic Centre

4.34 Heritage Assets: Summary of Transactions

2010/11 £000	2011/12 £000		2012/13 £000
38	15	Cost of Acquisitions of heritage assets Statues, Monuments and Historic landmarks	36
0	15	Total Cost of Purchases	36
0	15	Value of Heritage Assets acquired by Donation Museums Collection - Pictures, Prints & Sculptures	29
0	15	Total Donations	29
0	(15)	Impairment recognised in the period Museums Collection - Pictures, Prints & Sculptures	(29)
0	(129)	Statues and Monuments	(35)

The Code of Practice requires a five year summary of transactions, but where this is not practicable for any period prior to 1 April 2010, only periods after this date need be disclosed. As the records held in connection with heritage assets were very fragmented, it has therefore not been possible to gather the data to enable a five year summary of transactions.

4.35 Heritage Assets: Further information on the Museum's Collections

The collections fall into four main areas: Archaeology, Social History, Natural Sciences and Fine and Decorative Arts. Human history collections are centred on the **Social History** of Carlisle District, and the **Archaeology** of North Cumbria; **Natural Sciences** encompasses the flora, fauna and geology of Cumbria; and **Fine and Decorative Arts** includes British fine and decorative art, with particular reference to North Cumbria.

Fine and Decorative Art

a) Scope of the Collections

Wide ranging fine art collection consisting of 4,800 paintings, watercolours, drawings, prints, photographs, sketch books and sculpture by mainly British artists dating from about 1650 to the present day. This collection is mostly of regional significance but also includes works of national importance. Notable elements include:

Purchase Scheme 1933-75 (200 works)

Collection of 20th century British art including works of national importance. Key artists represented include: Stanley Spencer, William Rothenstein, Wyndham Lewis, Esmond Lowinsky, Vanessa Bell, Lucien Pissarro, Charles Ginner, L S Lowry, John Nash, Eric Ravilious, Carel Weight, Peter Blake and Roger de Grey.

Emily and Gordon Bottomley Bequest 1949 (600 works)

Collection of 19th and 20th century British art including works of national importance. Key artists represented include Pre-Raphaelites: Dante Gabriel Rossetti, Elizabeth Siddal, William Morris, Edward Burne-Jones, Ford Madox Brown and Arthur Hughes. Other key artists represented include Samuel Palmer, Charles Ricketts and Paul Nash.

Carel Weight Bequest 1999 (91 works)

Important collection of late 19th and 20th century mainly British art. Key artists represented include Lucien Pissarro, Stanley Spencer, L S Lowry, Thomas Barclay Hennell and Carel Weight.

Pre-Raphaelite Collection (48 works)

Nationally important collection of works by the Pre-Raphaelites acquired from the Howard family, William Rothenstein, the Purchase Scheme and Gordon Bottomley. Key artists listed above.

Local Art and Artists Collection (1,000 works)

Important collection of works by local and visiting artists many of which relate to northern Cumbria. Key artists represented include Sam Bough, William James Blacklock, Winifred Nicholson, Sheila Fell, Julian Cooper, Donald Wilkinson, Jem Southam and Keith Tyson.

Decorative Art (1,500 items)

Wide ranging collection mostly consisting of ceramics including the Williamson Bequest (1940) of 800 pieces of 18th and 19th century English porcelain, all major factories represented. The bequest also includes a 17th century table clock by Joseph Knibb of London. Textiles include a good collection of quilts (40). Items associated with the Arts and Crafts Movement include costume, textiles, furniture, ceramics and metalwork. A small collection of musical instruments includes strings by the Forster family and a decorated violin by Andrea Amati (1564).

Natural Sciences**a) Scope of the collections**

Regionally significant collections of zoological, botanical and geological material, totalling some quarter of a million specimens. These collections are particularly strong in material of Cumbrian provenance and provide a unique resource relating to the landscape and biodiversity of the region.

Zoology (c. 210,000 items)

Significant collection of British birds and mammals (mounts and skins) and birds' eggs; some vertebrate skeletal material; extensive and significant collections of British insects; British and foreign Mollusca.

Botany (c. 26,000 items)

Lakeland and British herbaria, including mosses and lichens.

Fungi (c. 1,500 items)

Developing collection of Cumbrian fungi with special focus on montane and grassland species.

Geology (c.9,000 items)

Substantial holdings of fossil, rock and mineral material. Includes a major Cumbrian mineral collection and an important 19th century fossil collection

Cumbria Biodiversity Data Centre (570,000 records)

Tullie House operates the local biodiversity data centre for Cumbria, in partnership with a number of funding organisations. The computer database presently includes some 50,000 records deriving from specimens in the collections.

Social History**a) Scope of Collections** (c.22,000 items)

A wide-ranging collection of objects, ephemera and photographs (plus a limited range of oral history recordings and audio visual footage) relating to personal, community and working life in Carlisle district from the 1644-5 Civil War onwards. This includes a large collection of men's, ladies', children's and infants' costume and accessories dating from 1700 to the present.

The collections include a good general representation of working, domestic and recreational activities. Material includes items from the 1745 Jacobite Rising, 17th/18th century silver of the city and its trade guilds, coins and medallions from 16th to 20th centuries, Carlisle made watches, long case clocks and firearms, State Management branded pub material, traditional Cumbrian sports trophies and accessories, ephemera relating to 20th Carlisle Pageants and fairs, tools, equipment and products of local industry and agriculture, the Blue Streak Rocket Project Archive, costumes of notable individuals including Margery Jackson and Pilot Tadeusz Felc.

Archaeology

a) Scope of Collections (c.20,000 items)

The collections cover the period from the arrival of humans into Cumbria up to the 1644-5 Civil War. It consists of artefacts and their associated documentation covering the whole period. This documentation includes original paper documents, photographs, digital records, publication offprints and other secondary sources. In addition, the museum is a repository for excavation archives undertaken by various bodies in the area, including English Heritage, Oxford Archaeology North, and North Pennines Archaeological Trust.

There are important items within the collections from the whole period. These include: rough-out material from the Langdale stone axes factories, pottery from Ehenside Tarn and Old Walls, a stone spear-mould from Croglin, a gold neck-ring from Greysouthern, and cemetery material from Garlands and Aglionby, which date to the prehistoric period. The material relating to the Roman occupation includes an internationally important collection of inscribed and sculptured stones from Carlisle and Hadrian's Wall as well as domestic and military material. The post-Roman and Early Medieval period includes objects from Viking burials at Ormside, Hesket and Cumwhitton and a Saxon sword from the River Thames. The medieval life of the city is represented by coins struck at the Carlisle Mint, ceramics from Carlisle and further away, city bell, muniment chest and stocks. The Elizabethan period is covered by weights and measures and racing bells. In addition, there is a fine collection of British coinage of all periods. A notable point about the collection is that the waterlogged conditions that can be found in the archaeological layers of Carlisle allow the preservation of wood and leather artefacts that do not survive in other places.

Preservation and Management

As the museum holds, and intends to acquire, archives, including photographs and printed ephemera. Its governing body will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002). The Council's policy on acquisition, disposals and management of Heritage assets provides further information on this.

4.36 Financial Instruments

(a) Financial Liabilities held at Amortised Cost

2011/12			2012/13	
Long Term £000	Current £000		Long Term £000	Current £000
15,000	483	Borrowing	15,000	483
0	884	Cash at Bank and Cash equivalents	0	0
1,154	2,119	Operational Creditors	1,166	2,498
16,154	3,486	Total	16,166	2,981

(b) Loans and Receivables held at Amortised Cost

2011/12			2012/13	
Long Term £000	Current £000		Long Term £000	Current £000
0	15,063	Investments	0	17,110
63	2,964	Operational Debtors	54	2,847
4	0	Car Loans	9	0
0	1,792	Cash at Bank and Cash equivalents	0	2,110
229	0	Transferred Debt	206	0
296	19,819	Total	269	22,067

(c) Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

2011/12			2012/13	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
2,964	2,119	Value as per Note (a) & (b) above	2,847	2,498
4	0	Car Loans	9	0
2,117	2,820	Non-Contractual Items	317	1,778
5,085	4,939	Total per Balance Sheet	3,173	4,276

(d) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2012/13 relating to financial instruments are made up as follows:

2012/13	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,298	0	0	1,298
Impairment Losses	0	71	0	71
Interest Payable and Similar Charges	1,298	71	0	1,369
Interest Received	0	(393)	0	(393)
(Gains)/Losses on Derecognition	0	0	0	0
Interest and Investment Income	0	(393)	0	(393)
Net (Gain)/Loss for year	1,298	(322)	0	976

Comparative information for financial year 2011/12 is as follows:

2011/12 Comparative Figures	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,312	0	0	1,312
Impairment Losses	0	168	0	168
Interest Payable and Similar Charges	1,312	168	0	1,480
Interest Received	0	(377)	0	(377)
(Gains)/Losses on Derecognition	0	0	0	0
Interest and Investment Income	0	(377)	0	(377)
Net (Gain)/Loss for year	1,312	(209)	0	1,103

(e) Fair Value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The Council has based its fair value report on the borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities. Other assumptions include:

- estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2013;
- early repayment or impairment is not recognised; and
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

31 March 2012			31 March 2013	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
19,640	26,394	Financial Liabilities	19,147	25,926

The fair value is more than the carrying amount because the Council's loan portfolio includes a number of fixed rate loans where the interest payable is more than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to the early repayment of the loans.

31 March 2012			31 March 2013	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
20,115	20,195	Loans & Receivables	22,336	22,366

The fair value is more than the carrying amount because the Council's investment portfolio includes a number of fixed rate investments where the interest receivable is more than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to the early repayment of the investments.

(f) Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **liquidity risk** – the possibility that the Council might not have funds available to meet its payment commitments; and
- **market risk** – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

The Council's annual treasury management strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written policies within its treasury management strategy covering interest rate risk, credit risk and the investment of surplus cash balances.

(g) Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with credit rated banks and other financial institutions unless they have a minimum credit rating of Short-term P1, Support C or equivalent (Based on Moody's Credit Ratings). Some investments are placed with Building Societies that do not have a formal credit rating. This policy is dictated by the size of the Society (minimum £1billion Assets) and is grounded upon the strict regulatory regime with which all building societies must comply. The Council has a policy of not lending more than £4million of its surplus balances to any one institution, although with Government backed banks the limit is £8million, with no more than 50% held as non-specified investments i.e. investments with a period to maturity of more than one year or placed with an institution without a formal credit rating.

The following analysis summarises the Council's potential maximum credit risk exposure, based on the experience gathered over the last five financial years, on the level of default on loans and receivables and adjusted for current market conditions:

	Value at 31 March 2013 £000	% Default based on previous experience	% default adjusted for current market conditions	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	19,220	Nil	Nil	0
Gross Operational Debtors	3,786	19.85%	23.38%	885
				885

The percentage defaults shown in the above table are high due to the potential bad debt provision of £843,000 in relation to Housing Benefit overpayments. The remainder of the bad debt provision relates to sundry debtors and car park fines.

The Council does not expect any losses in respect of non-performance by counter-parties in relation to its wholesale deposits.

The Council does not generally allow credit to its customers. The current value at 31 March 2013 of outstanding debt excluding Housing Benefit Overpayments is £1.778million. Of this amount £0.563 million is past its due date for payment. The aged-debt analysis of this sum is as follows:

2011/12 £000		2012/13 £000
740	Less than 3 months	420
6	3-5 months	7
42	More than 5 months	136
788	Total	563

During the period the movement on the bad debt provision that related to customers including Housing Benefit Overpayments was as follows:

2011/12 £000		2012/13 £000
757	Opening Balance	842
(83)	Write Offs in Year	(27)
168	(Decrease)/Increase to Provisions	71
842	Closing Balance	886

(h) Liquidity Risk

As the Council has ready access to borrowing from either the Public Works Loans Board, or from other financial institutions in the money market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The major risk facing the Council is that it will be bound to refinance nearly all of its borrowing in 2020, when interest rates may be less favourable than at present. However the current policy of the Council is not to refinance any of this debt at the moment due to the significant redemption premium it would be required to pay to the lender. This position will be reviewed as the loan moves nearer to maturity in the light of interest rates prevalent at the time. There are no other identified borrowing requirements in place at 31 March 2013.

The maturity analysis of loans and borrowings within financial liabilities is as follows:

2011/12 £000		2012/13 £000
483	Less than 1 year	483
0	1 - 2 years	0
0	2 - 5 years	0
15,000	Over 5 years	15,000
15,483	Total	15,483

(i) Market Risk

The Council is exposed to some risk due to movements in interest rates on its loans and investments. As nearly all of the Council's borrowing and investments have been placed at fixed rates, this risk has to a large extent been minimised. Nevertheless, there remain some risks:

- An increase in interest rates will result in a fall in the fair value of borrowings and investments.
- A decrease in interest rates will result in a rise in the fair value of borrowings and investments.
- The value of interest received from investments will rise or fall depending on increases and decreases in interest rates and will impact on the Comprehensive Income and Expenditure Statement.

Borrowings and investments are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher and all other variables were held constant the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Surplus/Deficit on provision of services	0
Decrease in Fair Value of investments	(68)
Decrease in Fair Value of Borrowings	(1,204)

The approximate impact of a fall in interest rates by 1% would have had the same impact as above, but would have reversed the movements.

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new borrowing was undertaken in 2012/13.

4.37 Inventories

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Total
2012/13	£000	£000	£000	£000
Balance outstanding at 1 April	46	45	27	118
Purchases	216	127	0	343
Recognised as an expense in the year	(217)	(154)	(27)	(398)
Written off balances	0	(3)	0	(3)
Balance outstanding at 31 March	45	15	0	60

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Total
2011/12 Comparative Figures	£000	£000	£000	£000
Balance outstanding at 1 April	105	51	23	179
Purchases	135	163	20	318
Recognised as an expense in the year	(141)	(170)	(16)	(327)
Written off balances	(53)	1	0	(52)
Balance outstanding at 31 March	46	45	27	118

4.38 Construction Contracts

At 31 March 2013 the Council was carrying out no construction contracts.

4.39 Short Term Debtors

2011/12 £000		2012/13 £000
1,859	Central Government Bodies	154
1,156	Other Local Authorities	892
0	NHS Bodies	0
3	Public Corporations and trading funds	0
3,052	Bodies external to government	3,159
(985)	Bad debt provisions	(1,032)
5,085	Total	3,173

4.40 Cash and Cash Equivalents

2011/12 £000		2012/13 £000
(884)	Cash and Bank	370
1,792	Short Term Investments with maturity of less than 3 months	1,740
908	Total	2,110

4.41 Assets Held for Sale

2011/12 £000		2012/13 £000
530	Balance outstanding at 1 April	250
250	Assets newly classified as held for sale:	220
(530)	Property Plant and Equipment	0
	Assets Sold	
250	Balance outstanding at 31 March	470

4.42 Short and Long Term Creditors

2011/12 £000	Short Term Creditors	2012/13 £000
(1,360)	Central Government Bodies	(892)
(603)	Other Local Authorities	(806)
(7)	NHS Bodies	0
(45)	Public Corporations and trading funds	0
(2,855)	Other Entities and Individuals	(2,498)
(69)	Employee Benefits	(80)
(4,939)	Total	(4,276)

Long Term Creditors relate to Section 106 agreements received that will be payable after 12 months. These are funds that have been received as part of planning consents agreed by the Council for further amenity work and projects that will be ongoing as part of a development. The long term element of these amounts to £1,165,623 in 2012/13 (2011/12 £1,153,900).

4.43 Provisions

The movement in the level of provisions held by the Council during 2012/13 is as follows: -

	1 April 2012	Additions in year	Used in year	Unused Amounts reversed	31 March 2013
	£000	£000	£000	£000	£000
Insurance Claims	443	105	(40)	0	508
Municipal Mutual Insurance (MMI)	0	175	0	0	175
Cemeteries Perpetuity Fund	75	0	0	0	75
Land Charges Provision	74	0	0	0	74
Rickergate Properties Ringfenced Account	0	74	0	0	74
Other Provisions	65	7	(8)	0	64
Total	657	361	(48)	0	970
Split as:					
Falling due within 1 year	443	280	(40)	0	683
Falling Due after 1 year	214	81	(8)	0	287

(i) **Insurance Claims**

The Council has established a provision totalling £508,235 to meet insurance claims arising from public liability, employer's liability, motor vehicle and other claims. This figure is based on the estimated gross value of claims against the Council at 31 March 2013 and the insurance provision will therefore cover this value in full. However it is expected that £322,436 will be reimbursed by the Council's insurers and through other third party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

(ii) **Municipal Mutual Insurance (MMI)**

The Council has a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. The liabilities of MMI Ltd. were not, however, transferred to Zurich Municipal and the company is exploring ways in which these liabilities can be transferred to another insurance company to enable MMI Ltd. to be wound up. During 2012/13 the Scheme of Arrangement was triggered giving rise to a liability for the Council. At 31 March 2013 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £874,000. An initial levy of 15% has been set by the Scheme administrators, Ernst and Young although there are indications from the Scheme Administrators that this could rise up 28% in order to achieve a solvent run off for MMI. As such the Council has made an initial provision of £175,000 to cover these liabilities with a further budgetary provision of £175,000 in 2013/14 should this be required to increase the provision.

(iii) **Other Provisions**

a. **Cemeteries Perpetuity Fund**

This fund is used to maintain and repair cemetery headstones where owners cannot be contacted. It was agreed in 2009 to use the fund to carry out essential repair work on memorials.

b. Land Charges Provision

A provision set up to meet the potential liabilities of claims relating to potential refunds of personal search fees.

c. Rickergate Properties Ringfenced Account

This provision was previously held as a creditor and represents the net income from properties purchased in Rickergate with funds from North West Development Agency. The Homes and Communities Agency have now taken over control of this scheme and have informed the Council that this income does not need to be repaid to it as was previously the case, and can be used to fund any future costs on the scheme with their approval.

d. Other Provisions

The Council holds other minor provisions for liabilities with uncertain timing or amounts.

4.44 Unusable reserves**(a) Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2011/12 £000		2012/13 £000
19,924	Balance at 1 April	20,426
865	Upward Revaluation of Assets	1,670
(262)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(1,447)
603	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	223
(101)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(107)
0	Accumulated gains on assets sold or scrapped	(47)
20,426	Balance at 31 March	20,495

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisitions, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

Note 4.4 provides details of the source of all the transactions posted to the Account.

2011/12 £000		2012/13 £000
145,915	Balance at 1 April	139,210
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(2,709)	Charges for depreciation and impairment of non-current assets	(2,583)
(2,750)	Revaluation losses on Property, Plant and Equipment	(10,295)
(58)	Amortisation of Intangible Assets	(64)
(1,765)	Revenue Expenditure Funded from Capital under Statute	(1,149)
(1,430)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,020)
(8,712)		(18,111)
101	Adjusting Amounts written out of the Revaluation reserve	154
(8,611)	Net written out amount of the cost of non-current assets consumed in the year	(17,957)
137,304		121,253
	Capital Financing Applied in the year	
1,988	Use of Capital Receipts Reserve to finance new capital expenditure	2,554
0	Voluntary transfer of capital receipts reserve to Capital Adjustment Account	1,863
2,447	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,548
19	Application of grants to capital financing from the Capital Grants Unapplied Account	6
278	Statutory provision for the financing of capital investment charged against the General Fund	304
454	Capital expenditure charged against the General Fund	627
5,186		6,902
(3,295)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(903)
15	Movement in Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	29
139,210	Balance at 31 March	127,281

(c) Pensions Reserve

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

2011/12 £000		2012/13 £000
(30,005)	Balance at 1 April	(35,678)
(5,345)	Actuarial Gains or losses on pension assets and liabilities	(8,133)
(3,229)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,438)
2,901	Employer's pensions contributions and direct payments to pensioners payable in the year	2,804
(35,678)	Balance at 31 March	(44,445)

(d) Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
43	Balance at 1 April	58
15	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7
58	Balance at 31 March	65

(e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000		2012/13 £000
(63)	Balance at 1 April	(69)
63	Settlement or cancellation of accrual made at the end of the previous period	69
(69)	Amounts accrued at the end of the current year	(80)
(6)	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	(11)
(69)	Balance at 31 March	(80)

4.45 Capital Expenditure and Capital Financing

2011/12 £000		2012/13 £000
6,954	Opening Capital Financing Requirement	7,611
	Capital Expenditure	
3,517	Property, Plant and Equipment	3,172
536	Investment Properties	442
	Investment Properties - Acquired by exchange	535
45	Intangible Assets	0
15	Heritage Assets	35
1,765	Revenue Expenditure funded from Capital Under Statute	1,149
5,878		5,333
	Sources of Finance	
(1,988)	Capital Receipts used to finance expenditure	(2,554)
0	Capital receipts applied to Capital Adjustment Account	(1,863)
(1,332)	Government Grants and Contributions	(663)
(455)	Revenue Financing & Reserves	(627)
(278)	Minimum Revenue Provision	(304)
(35)	Transferred Debt	(23)
(1,133)	Contributions from other bodies	(356)
0	Contributions from other bodies - exchanged asset	(535)
(5,221)		(6,925)
7,611	Closing Capital Financing Requirement	6,019
	Explanation of Movements in year	
0	Increase in underlying need to borrow (supported by Government Finance Assistance)	0
657	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	(1,592)
0	Assets acquired under Finance Leases	0
0	Assets acquired under PFI/PPP contracts	0
657	Increase/(decrease) in Capital Financing Requirement	(1,592)

4.46 Grant Income

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balance at the end of 2012/13 was zero (2011/12 £15,000)

4.47 Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants, and for sub-leases on contract hire cars supplied to its staff. The value of the income from rents associated with these agreements, and included within the Council's Comprehensive Income and Expenditure Statement in 2012/13 was £4.624m (£4.438m 2011/12). At 31 March 2013 the minimum lease payments under operating leases and contract hire agreements were as follows:

2012/13	Leased Cars £000	Property Leases £000	Total £000
Not later than 1 year	0	546	546
Later than 1 year and not later than 5 years	4	1,749	1,753
later than 5 years	0	33,110	33,110
Total	4	35,405	35,409

2011/12 Comparative Figures	Leased Cars £000	Property Leases £000	Total £000
Not later than 1 year	3	605	608
Later than 1 year and not later than 5 years	9	2,075	2,084
later than 5 years	0	40,344	40,344
Total	12	43,024	43,036

The capital value held within the balance sheet at 31 March 2013 in respect of land and property generating leasehold income is £94.863million (£98.271million 2011/12). This figure represents the gross value of the Investment Properties and as these are non-operational fixed assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £2,536,030. (£2,581,680 2011/12).

(a) Operating Leases

Total operating lease rentals paid in 2012/13 amounted to £137,312 (£244,798 2011/12). At 31 March 2013 the minimum lease payments under operating leases and contract hire agreements was as follows:

Payments due:	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	14	109	123
Later than 1 year and not later than 5 years	14	0	14
Total	28	109	137

Payments Due 2011/12 Comparative Figures	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	6	144	150
Later than 1 year and not later than 5 years	21	68	89
Total	27	212	239

The Council sub-leases contract hire cars to staff. The total future subleases payments expected to be received under non cancellable subleases at 31 March 2013 was £3,675 (2011/12 £11,630). There are no contingent rents associated with any of the leases.

(b) Finance Leases

The Council made no payments under finance leases during 2012/13 (None during 2011/12).

4.48 Disclosure of Net Pension Assets/Liabilities

As part of the terms and conditions of employment of its officers, the 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 Council's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather when the benefits are eventually paid as pensions. However, the charge that is made against council tax is based on the cash payable in the year, resulting in the real cost of providing retirement benefits being reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2012/13.

2011/12 £000		2012/13 £000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services</u>	
1,922	Current Service Costs	2,059
8	Past Service Costs / (Gain)	60
220	Curtailment Cost	62
	<u>Surplus or Deficit on Provision of Services</u>	
6,745	Interest cost	6,431
(5,666)	Expected return on assets in the scheme	(5,174)
	<u>Other Comprehensive Income and Expenditure</u>	
5,345	Actuarial Gains and Losses	8,133
8,574	Net Charge to the Comprehensive Income & Expenditure Statement	11,571
	Movement in Reserves Statement	
3,229	Reversal of net charge made for retirement benefits in accordance with IAS 19	3,438
(2,901)	Actual amount charged against the General Fund Balance for pensions in the year	(2,804)
328	Contribution (to) / from Pension Reserve	634

The Cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure is a £23,575,000 loss.

(a) Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2012 £000		31 March 2013 £000
124,158	Benefit Obligation at beginning of period (1 April)	132,417
1,922	Current Service Cost	2,059
6,745	Interest Cost	6,431
764	Member Contributions	721
8	Past Service Cost	60
4,326	Actuarial (gains)/losses on liabilities	15,961
220	Curtailments	62
(5,726)	Benefits/transfers paid	(5,106)
132,417	Benefit Obligation at end of period (31 March)	152,605

Reconciliation of Fair Value of the scheme assets:

31 March 2012 £000		31 March 2013 £000
94,153	Fair Value of plan assets at beginning of period (1 April)	96,739
5,666	Expected return on plan assets	5,174
(1,019)	Actuarial gains/(losses) on assets	7,828
2,901	Employer Contributions	2,804
764	Member Contributions	721
(5,726)	Benefits/transfers paid	(5,106)
96,739	Fair Value of plan assets at end of period (31 March)	108,160

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £13,001,000 (2011/12: a gain of £4,647,000).

(b) Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	£	£	£	£	£	£
Present value of liabilities	115,724	98,203	135,654	124,158	132,417	152,605
Fair Value of assets	87,282	70,736	91,472	94,153	96,739	108,160
(Surplus)/Deficit in the scheme	28,442	27,467	44,182	30,005	35,678	44,445

The liabilities show the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £45.445 million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains healthy. The deficit on the local government pension scheme will be made good by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £2.731 million.

(c) Basis for Estimating Assets and Liabilities

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. The Council's liabilities within the Cumbria County Council Pension Fund have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2011.

The main assumptions used in their calculations are:

2011/12		2012/13
	Long-term expected rate of return on assets in the scheme:	
7.00%	Equity investments	7.00%
3.10%	Government Bonds	2.80%
4.10%	Other Bonds	3.90%
6.00%	Property	5.70%
0.50%	Cash/Liquidity	0.50%
7.00%	Other	7.00%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.80	Men	22.20
24.50	Women	24.90
	Longevity at 65 for future pensioners:	
23.20	Men	24.10
26.00	Women	26.90
2.50%	Rate of Inflation (CPI)	2.40%
4.25%	Rate of Increase in Salaries	4.15%
2.50%	Rate of increase in Pensions	2.40%
50.00%	Proportion of employees opting to take a commuted lump sum	50.00%
4.90%	Rate of discounting Scheme Liabilities	4.20%

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:

2011/12			2012/13	
%	Expected Return		%	Expected Return
51.6	7.00%	Equity Investments	55.4	7.00%
16.0	3.10%	Government Bonds	15.9	2.80%
16.0	4.10%	Bonds	15.8	3.90%
6.4	6.00%	Property	5.6	5.70%
1.6	0.50%	Cash/Liquidity	0.6	0.50%
8.4	7.00%	Other Assets	6.7	7.00%
100.0			100.0	

(d) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2013.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%	%
Differences between expected and actual return on assets	7.40	30.30	17.10	1.40	1.10	7.20
Experience gains and losses on liabilities	0.70	0.00	0.00	3.90	0.00	0.00

The movement on the net pension liability during the year is as follows:

2011/12 £000		2012/13 £000
(30,005)	Net Pension Liability at 1 April	(35,678)
	Movements in year:	
(1,922)	Current Service Cost	(2,059)
2,901	Employers Contributions payable to the scheme	2,804
(228)	Past Service Costs/Curtailment Costs	(122)
(6,745)	Interest Cost	(6,431)
5,666	Expected Return on assets in the scheme	5,174
(5,345)	Actuarial Gains / (Losses)	(8,133)
(35,678)	Net Pension Liability at 31 March	(44,445)

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

4.49 Trust Funds

The City Council holds the accumulated balances of two bequests for which it is the sole trustee. The transactions and balances for these bequests are included in the movement of provisions in the Council's financial statements. The bequests for which the Council is sole trustee are shown below.

Bequest	Purpose	2012/13 Income £	2012/13 Expenditure £	Assets at 31 March 2013 £	Liabilities at 31 March 2013 £
Parker	Established in 1954 to benefit disabled children and other young residents of the city	2	0	1,334	0
District Nurses Amenity Fund	Established to provide amenities for nurses' homes and retirement allowances to nurses	8	0	7,139	0
Total		10	0	8,473	0

The Council also holds balances for two other charities, which it administers on behalf of the trustees. The transactions and balances for these charities are excluded from the Council's financial statements. These balances are: -

Charity	Purpose	2012/13 Income £	2012/13 Expenditure £	Assets at 31 March 2013 £	Liabilities at 31 March 2013 £
Mary Hannah Almshouses	Registered Housing Association	18,918	12,284	312,224	1,671
Carlisle Educational Charity	To provide grants to students	9,859	10,450	212,733	0
Total		28,777	22,734	524,957	1,671

4.50 Contingent Assets

(a) Riverside (formerly Carlisle Housing Association (CHA))

At 31 March 2013 £266,737 (31 March 2012 £256,888) was due from Riverside under the terms of the Preserved Right to Buy (PRTB) sharing agreement made as part of the transfer of the Council's housing stock in 2002. This has been accrued into the 2012/13 accounts and has been reflected in the total for capital receipts received in the year. Under the terms of the transfer the City Council will receive an agreed proportion of PRTB receipts for the first 15 years of the contract.

4.51 Contingent Liabilities

(a) Home Housing Association

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 to provide houses to rent. To fund the development programme, Home

Housing Association have raised a total of £100million through a stock issue, which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors all participating authorities, of which there were 29 in total, were required to enter into a standard form of guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association. The maximum liability of each authority under the guarantee is £100million but because the liability is jointly and severally guaranteed, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the stock issue 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 this 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 31 March 2013 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.

(b) Municipal Mutual Insurance Ltd. (MMI)

The Council may still have a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. Whilst the MMI scheme of arrangement has been triggered and the Council has recognised a provision in respect of the initial levy amount, there is a likelihood that future levies will be made in order for the liabilities of MMI to be met. There are indications that the initial levy rate of 15% may rise to around 28%. The Council has recognised a provision of £175,000, which represents 20% of its overall potential liability to MMI (£874,000). Therefore a further 8% levy would increase this provision by £70,000.

(c) Riverside (Formerly Carlisle Housing Association (CHA))

On 9 December 2002 the City Council completed the transfer of its housing stock to Riverside. 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 Riverside and lenders to the Association for periods of 25 years and 18 years respectively. The Council has insurance cover in place to meet the cost of claims arising from any breach of the environmental warranties in the first 12 years following the date of transfer. An earmarked reserve to the value of £488,000 has also been set up to meet the future cost of insurance premiums in years 13 to 25 (£292,000) and the potential costs of any future claims (£196,000). In the period from the date of the transfer to 31 March 2012, the Council has not received any claims in respect of either environmental or non-environmental warranties.

(d) Environmental Enhancements

The Council recognises its responsibilities in relation to potential contamination works in the Carlisle area. Any potential works required would be included in the Council's capital programme as required.

4.52 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

New arrangements for the retention of business rates came into force on 1 April 2013, and the Council will now assume the liability for refunding taxpayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government) in respect of 2012/13 and prior years. Previously such amounts would not have been recognised as income by the Council, but would have been transferred to DCLG. The total amount of these liabilities at 31 March 2013 was £3,608,600 and the Council's share of this is £1,443,440. As the regulations only come into force on 1 April, no adjustments have been made in these (2012/13) accounts.

As of 1 April 2013, the Council gave up its right to maintain highways within the district and the function transferred back to the County Council. This included the TUPE transfer of employees involved in the service. In 2012/13 the Council spent £1,758,000 on undertaking these highways functions. A minor residual service has been maintained by the Council.

4.53 Authorisation for Issue

The Statement of Accounts were authorised for issue on 28 June 2013 by the Director of Resources, Peter Mason CPFA. This is the date up to which post balance sheet events have been considered. The audited Statement of Accounts were authorised for issue on 16 September 2013

Cash-Flow Statement

4.54 Cash Flow Statement – Operating Activities

2011/12 £000		2012/13 £000
8,520	(Surplus) / Deficit on the Provision of Services	12,761
	Adjustments to the net surplus or deficit on the provision of services for non cash movements	
(5,517)	Depreciation and downward revaluation charges	(12,942)
(3,295)	Movement in Fair Value of Investment Properties	(903)
(1,430)	Carrying amount of non current assets sold	(4,020)
(328)	Pension (IAS 19)	(634)
0	Increase in impairment provision for bad debts	0
(61)	Increase/(decrease) in stocks	(58)
1,377	Increase/(decrease) in debtors	(1,958)
2,905	(Increase)/decrease in creditors	(85)
(114)	Other non-cash items charged to net surplus/deficit on provision of services	60
(6,463)		(20,540)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
0	Purchase of short term and long term investments	0
0	Proceeds from short term and long term investments	0
2,005	Proceeds from the sale of property plant and equipment, investment property and intangible assets	5,015
845	Capital Grants charged to Comprehensive Income and Expenditure	87
2,850		5,102
4,907	Net Cash Flow from Operating Activities	(2,677)
	Shown within Net Cash Flow from Operating Activities	
1,296	Interest Payable	1,314
(477)	Interest Receivable	(349)
819		965

4.55 Cash Flow Statement – Investing and Financing Activities

2011/12 £000		2012/13 £000
	Investing Activities	
5,502	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	3,439
34,700	Purchase of Short Term and Long Term Investments	43,145
0	Other Payments for Investing Activities	9
(1,787)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,356)
(39,700)	Proceeds from Short Term and Long Term Investments	(41,145)
(1,905)	Other Receipts from Investing Activities	(38)
(3,190)	Net Cash Flows from Investing Activities	1,054
	Financing Activities	
0	Repayments of short and long term borrowing	0
(1,319)	Other payments for financing activities	(421)
(1,319)	Net Cash Flows from financing Activities	(421)

SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

5.1 The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2011/12 £000		Note	2012/13 £000	£000
	Income			
46,960	Council Tax	5.2(c)	47,263	
37,753	Income from Business Ratepayers		39,130	
	Income from the General Fund			
7,389	- Council Tax Benefits		7,443	
92,102	Total Income			93,836
	Expenditure			
	Precepts and Demands	5.2(d)		
40,397	Cumbria County Council		40,449	
6,743	Cumbria Police Authority		6,992	
7,147	Carlisle City Council		7,181	
54,287				54,622
	Business Rates			
37,571	Payments to National Pool		38,948	
182	Allowance for cost of NNDR collection		182	
37,753				39,130
	Bad and Doubtful Debts - Council Tax			
(65)	Write offs		(72)	
(6)	Provisions		107	
(71)				35
	Contribution:			
19	Adjustment of Previous Years' Collection Fund Surplus			0
114	Movement on Fund Balance			49
92,102	Total Expenditure			93,836
	Collection Fund Balance			
329	Fund Balance at 1 April			443
114	Surplus/(Deficit) for Year			49
443	Fund Balance at 31 March			492

On the basis that surpluses and deficits are shared with the County Council and the Police Authority, the Council has accounted for the Collection Fund balance in its 2012/13 Statement of Accounts as follows:

- The £492,315 surplus is accounted for in line with the Code of Practice 2012 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £64,929 Carlisle share of the surplus is shown as a balance on the Collection Fund adjustment Account. The £363,360 share is attributable to the County Council and the £64,025 attributable to the Police Authority is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

5.2 Notes to the Collection Fund

(a) 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. The balance on the Fund is included in the Council's 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 each year. 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 2013 was £492,315.

(b) Council Tax base calculation

The council tax base set for 2012/13, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	66.50	5/9	36.95
A	18,356.50	6/9	12,237.67
B	10,022.00	7/9	7,794.91
C	6,484.50	8/9	5,764.02
D	4,634.25	9/9	4,634.25
E	2,293.00	11/9	2,802.56
F	947.50	13/9	1,368.60
G	311.50	15/9	519.17
H	16.00	18/9	32.00
	43,131.75		35,190.13
Second Homes	165.06		165.06
Relevant Amount	43,296.81		35,355.19
Estimated Collection Rate			98.50%
Council Tax Base = Relevant Amount (Band D Equivalent) x Collection Rate			34,824.86

(c) Income from Business Ratepayers

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (45.8p in 2012/13), 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 £39.130million was based on a total rateable value for the Council's area of £105,707,901 for the year (£105,027,160 in 2011/12). The Council received £6,230,008 from the NNDR Pool in 2012/13, which is credited directly to the Comprehensive Income and Expenditure Statement.

(d) 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 2012/13 the values were: -

2011/12 £		2012/13 £
7,147,095	Carlisle City Council	7,181,003
40,396,427	Cumbria County Council	40,449,100
6,743,370	Cumbria Police Authority	6,992,490

Included in the amount for the City Council is a precept of £444,825 (2011/12 £437,780 which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

SECTION 6 – ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/Solace Framework *'Delivering Good Governance in Local Government'*. A copy of the code can be obtained from the Director of Resources. The Council has also recognised the requirements of the 2010 CIPFA application note *'Statement on the Role of the Chief Financial Officer in Local Government'* and the CIPFA Statement on the *'Role of the Head of Internal Audit (2010)'*.

This statement explains how the Council has complied with the code and application note and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts for 2012/13.

The Governance Framework

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the draft Carlisle Plan which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report will communicate the outcomes and performance of the plan to residents with the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels.

The Council's vision – implications for governance arrangements

The Carlisle Plan is annually reviewed with Members to ensure that the vision and priorities are still relevant and constant with Members' aspirations. The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of the overall vision. Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

Measuring the quality of service for users

The Council's Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels and media such as the Carlisle Focus surveys (user and resident). The Council has reached the 'achieving' level of the Equality Framework for Local Government. This external assessment has provided the Council with a detailed report identifying good practice and areas for further improvement and these recommendations have been incorporated into our equality objectives. The impact of key decisions are recorded in each of the Executive papers ensuring that impact assessments form part of all of the Council's key decisions.

Performance in services for customers was monitored through management information indicators, highlighting the short and medium term trends which are reported corporately to the Senior Management Team¹. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels.

During 2009/10 and 2010/11 the Council entered into shared service arrangements in respect of ICT, Revenue and Benefits and Internal Audit. These arrangements sought to deliver financial savings to the Council whilst also improving the resilience in the services being provided and improving and maintaining services to the public. All of the Shared Services are underpinned by sound, documented governance arrangements which encapsulate the agreements between the participating Councils.

Roles and Responsibilities

The City Council comprises 52 elected Members and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "strong Leader" model whereby the Council appoints the Leader for a four year period, who then nominates his/her

¹ The Chief Executive, Deputy CEO, s151 Officer, Monitoring Officer and Directors of Local Environment; Economic Development; and, Community Engagement.

Executive Portfolio Holders and decides the scope of their briefs and the extent of delegated powers to each.

Currently, the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that he has delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that he/she reviews at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has also established a series of Overview and Scrutiny Panels of which, currently, there are three (Community, Environment & Economy and Resources). These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process. Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

Importantly, during 2010/11, the Council reviewed its Budget and Policy Framework. Previously, the Council had over 80 'policies' reserved to it (i.e. the Council had to make any decision relating thereto). The review reduced this number to 11 policies being reserved to Council. The change means that decisions are able to be taken in a more clear and transparent manner and, from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive. This change has proven to be beneficial in the working period since the change was effected.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the extensive delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure which changed substantially in 2009/10 as part of the transformation process, with other changes made following the retirement of the Chief Executive in 2011/12, and which now comprise a Chief Executive, a Deputy Chief Executive and five Directors.

The Chief Executive, Deputy Chief Executive and all Directors comprise the Senior Management Team (SMT) which meets on a fortnightly basis, to discuss corporate issues.

Codes of Conduct and Standards

The Council has formally adopted a Code of Conduct for its elected Members together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc) as part of their Declaration of Acceptance of Office when elected. The new code of conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons to be ratified by Council on 16th July 2013). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on particular relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

The Council has its own Code of Officer Conduct. The code was formally approved by Members in September 2010 and now forms part of the Constitution. There is also a formal Induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as Counter Fraud measures, Money Laundering, Whistleblowing, Procurement & Contracts and Budgetary Control issues. This forms part of the Council's training programme which is considered and agreed by the Members' Learning and Development Group. Currently being planned are several e-learning packages so that appropriate training can be targeted at relevant officers.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend and virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. The Contract Procedure Rules were significantly changed during 2010/11 to reflect changes in procurement regulations and particularly electronic procurement and the use of framework agreements. These changes were adopted in October 2010, and as a result the Procurement and Commissioning Strategy was amended in early 2011.

The Council's Risk Management Strategy sets out how the Council approaches risk management. In terms of risk assessment, this is overseen in the Council by a formal Risk Management Group made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from Marsh Ltd – the Council's Insurance Brokers/Advisers – is invited to attend on an ad-hoc basis. The Group oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through the management monitoring function of Covalent, the Council's performance management system.

Over the last two years the Council has been able offer Risk Management/Liability workshops and training days to Members, Senior Management and key officers. This training has been delivered by the Council's insurers, Travelers Insurance Co. Ltd. in conjunction with Berryman's Lace Mawer, Solicitors. Further training is planned to be delivered on an annual basis.

Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained

The Council has a Counter Fraud and Corruption Policy in place as well as an Anti Money Laundering Policy. These need to be reviewed and updated to ensure that the requirements of the Bribery Act 2011 are properly considered in the arrangements. This is work in progress and revised strategies will be considered by Members of the Audit Committee in due course, if appropriate.

The Council completed the Audit Commission Fraud and Corruption Survey and National Fraud Initiatives (NFI) in 2012/13.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago in order to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. Its current transformation programme has identified that a further £2.973million of transformational savings must be delivered over the lifetime of the current MTFP 2012/13 – 2017/18. Of this sum £2.134million has been achieved with the balance of £839,000 still to be identified for 2015/16.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. For this reason a Transformation Board was established in order to provide accountability for the delivery of the savings strategy thus ensuring that the transformation of Council services is controlled and managed effectively. The Deputy Chief Executive chairs the Transformation Board and is accountable for the programme; with appropriate Directors being responsible for delivering individual schemes within the overall programme.

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the *'Role of the Chief Financial Officer in Local Government'* and during 2012/13 the Council continued to comply with 5 key principles of the CIPFA statement.

The Director of Resources is the Council's Chief Financial Officer; is an experienced, qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. He leads and directs an adequately resourced, fit for purpose, finance function, comprising of 17 officers, who support him in the proper administration of the Council's financial affairs, including leading the

promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these 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 also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2014/15 to 2018/19 will be presented to Executive, Resources Overview and Scrutiny Panel (ROSP) and Council between July and September 2013.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and ROSP. The Council 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 summary revenue position is shown within the explanatory foreword, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, ROSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

The Director of Governance is the Council's Monitoring Officer with the Legal Services Manager acting as his deputy. These officers have a duty to report to the Council and the Executive in any case where they are of the opinion that any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Conduct determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular fortnightly meetings with the Chief Executive and Director of Resources (S151 officer) in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Members and Officer working together to achieve a common purpose with clearly defined functions and roles' and 'making the Chief Executive responsible and accountable to the Council for all aspects of operational management'. The Council's Constitution clearly sets out his role and responsibilities in respect of management structures and the discharge of functions by the Council. He will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

He is supported in his role by a deputy and five other Directors, and has regular access to and contact with the Leader of the Council and his Executive, through formal meetings of the Executive and informal Joint Management Team meetings. He supports the Resources Overview and Scrutiny Panels and has direct line management responsibilities for Organisational Development, Policy and Communications, and Emergency Planning.

Audit Committee

As a means of ensuring best practice, the Council has established an Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's *"Audit Committees – Practical Guidance for Local Authorities"*. This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council has a duty to comply the key principles contained within the 2010 CIPFA statement of the *'Role of the Head of Internal Audit'* and during 2012/13 the Council continued to comply with 5 key principles of the CIPFA statement.

The Head of Internal Audit for the Internal Audit Shared Service is the Group Audit Manager but the Head of Internal Audit role at participant organisations within the Internal Audit Shared Service is carried out by the relevant Audit Manager.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds in to the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and may undertake 'hot assurance' work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year based on the agreed risk based audit plan which includes a wide range of council operations along with risk management, internal control and governance considerations.

The Audit Manager reports to the Council's section 151 officer through the deputy section 151 officer and has access to the Senior Management Team (SMT) and Chief Executive as required. The Audit Manager attends all Audit Committee meetings and has the opportunity for private dialogue with the Chair as appropriate.

The resources available within the Internal Audit Shared Service have been assessed as fit for purpose. This will be subject to regular review going forward by the new Group Audit Manager. The audit team has a range of skills and qualifications including AAT, IIA and CCAB.

The Group Audit Manager is CIPFA qualified and has 15 years' experience in Local Government Internal Auditing, nine of these in a management capacity. The Audit Manager is MIIA qualified and has 17 years experience in local government internal auditing, approaching 3 years at team manager level.

Ensuring Compliance with Relevant Laws

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from both the Directors of Governance and Resources who are the Monitoring Officer and Chief Finance Officer respectively. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any particular matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis.

Complaints and Whistle blowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

The Council has a Confidential Reporting Policy that is available to all members of staff on the Intranet.

Identifying the development needs of Members and senior officers

The Council has a formal team appraisal scheme, which is mandatory for all officers, including all senior managers. It is carried out each year and forms part of the review of the Carlisle Plan. Team appraisals are recorded in the performance management system and the number of completed appraisals is reported as management information. There is routine monitoring of compliance by SMT along with an annual report to Members of the Resources Overview and Scrutiny Panel which includes the key findings of the annual Employee Opinion Survey.

During 2011/12 a revised framework for Member Learning and Development was introduced following approval of the framework by Council in April 2011. This includes provision for a Member/Leader Annual Review. An analysis of all Members' roles including those of a strategic nature has been undertaken and is used to identify training needs for Members holding or aspiring to strategic office. The framework was fully implemented in 2012/13 and proved to be successful with 40 Members taking part. A report on the training needs identified was produced by Organisational Development and taken to the Member Learning & Development Working Group for discussion and implementation. The success of the scheme also supported the council's application to retain the North West Charter for Members Development, for which we need proof that at least 75% of our Members had completed a Member/Leader Review.

Clear channels of communication

The City Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local peoples' involvement in the design and delivery of more responsive local services. The Council works closely with local groups representing those that are in a minority in our local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continues to deliver most of its key services directly there are a number of areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant 'partnerships'. However many partnerships are actually contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This will form part of the 2013/14 monitoring process. A key objective of the Carlisle Plan was for a fundamental review of all partnership working currently in operation and these reviews have taken place in tandem.

During the latter part of 2012/13 monitoring arrangements for specific public services delivered externally were subject to an internal audit review. Recommendations were made to enhance monitoring arrangements and to fulfil these recommendations, more robust challenges have been made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the 'partners' expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made

to local Community Centres. During 2012/13, the Council has introduced the concept of Service Level Agreement that seeks to ensure a level and quality of delivery that meets Council expectations; these SLA's and delivery against them will be reviewed on a regular basis.

Good governance in respect of Partnerships

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/ implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust managing arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

Appendix E of the Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Resources Overview and Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the proposed annual summary reporting on partnership working arrangements. This reporting is co-ordinated by Financial Services and is considered by SMT and Executive.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Director of Resources (the Council's Chief Financial Officer) and the Director of Governance – the latter also being the Council's Monitoring Officer. The aforementioned Directors also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported quarterly to Members.

In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Audit Manager reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Audit Manager also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control.

A full review of the Council's Code of Corporate Governance has been undertaken and all of the requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

During 2012/13 an internal review of key service contracts highlighted a themed weakness with regard to the robustness of internal contract monitoring procedures and processes and recommendations were made to address these. Action plans have been prepared to consider, address and implement the internal control recommendations, and will be subject to a formal follow up audit by the Internal Audit Team during 2013/14.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

Issue Identified	Target Date
During 2012/13 and as part of the delivery of the annual audit plan, internal reviews identified a significant weakness with regard to the internal monitoring of Council key contracts with recommendations being made to improve internal procedures and processes. Action plans to address these weaknesses have been developed and further consideration of the issues have been debated by the Council's Corporate Risk Management Group. Relevant Directors will have regard to the issues raised when implementing any revised staffing structures. Completion of the action plans will be subject to a formal audit follow up during 2013/14 and be reported to and closely monitored by the Audit Committee.	January 2014

We propose, over the coming year, to address these issues and to monitor and implement improvements to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on Behalf of Carlisle City Council

Leader:

Chief Executive:

Chief Financial Officer:

Date :

Report to Audit Committee

Agenda
Item:

A.6

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and
Budget Framework YES
Public / Private Public

Title: CODE OF CORPORATE GOVERNANCE – ACTION PLAN
Report of: Director of Resources
Report Number: RD45/13

Purpose / Summary:

This report updates Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

It includes a progress report on areas of weakness identified during the preparation of the 2012/13 Annual Governance Statement for Members consideration.

Recommendations:

Members are requested to note the attached action plan and the current position relating to the issue which has been identified.

Tracking

Audit Committee:	26 September 2013
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1 The Council's Code of Corporate Governance was approved by Council in 2008 in line with the CIPFA/SOLACE Framework document 'Delivering Good Governance in Local Government'.
- 1.2 In line with the framework the Audit Committee have previously considered any areas of significant weakness in the Council's governance arrangements by reviewing at each meeting of the committee the action plans put in place to ensure that continuous improvement in the system of internal control is addressed.
- 1.3 Furthermore an Annual Governance Statement, signed by the S151 Officer, Leader and Chief Executive, is prepared which summarises the Council's governance arrangements and which sets out any areas of significant weakness. This is formally approved as part of the audit of the Statement of Accounts process.
- 1.4 Since the original framework was prepared, CIPFA has issued guidance statements on 'The Role of the Chief Financial Officer in Local Government' and 'The Role of the Head of Internal Audit' both of which the Council must consider when preparing its Annual Governance Statement. An updated guidance note has also been issued (December 2012) which provides a revised framework for corporate governance incorporating these two CIPFA Statements. This revised framework was adhered to in preparing the 2012/13 Annual Governance Statement.

2. ANNUAL GOVERNANCE STATEMENT & ACTION PLAN

- 2.1 The Annual Governance Statement for 2012/13 highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements, and progress made against this area is contained within **Appendix A**. There are no new significant issues which need to be brought to Members' attention, nor are there any new areas of risk arising from the Audit reviews or from the Risk Registers that need to be drawn to Members' attention.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 3.1 Members are requested to note the attached action plan and the current position relating to the issue which has been identified.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

4.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

Contact Officer: Alison Taylor

Ext: 7290

Appendices Appendix A – Code of Corporate Governance – Action Plan attached to report:

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**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – *Delivering Good Governance in Local Government: Framework* has been given 'proper practices' status by the Department for Communities and Local Government through non-statutory guidance in respect of the requirement for local authorities to prepare an annual governance statement which must accompany the statement of accounts.

Local Environment – not applicable

Resources – included in the main body of the report

ACTION PLAN – UPDATE SEPTEMBER 2013

	<u>WEAKNESS IDENTIFIED</u>	<u>RESPONSIBILITY</u>	<u>TARGET DATE</u>	<u>CURRENT STATUS AND ACTION REQUIRED</u>
1.	<p>Contract Monitoring Procedures:</p> <p>During 2012/13 and as part of the delivery of the annual audit plan, internal reviews identified a significant weakness with regard to the internal monitoring of Council key contracts with recommendations being made to improve internal procedures and processes. Action plans to address these weaknesses have been developed and further consideration of the issues have been debated by the Council's Corporate Risk Management Group. Relevant Directors will have regard to the issues raised when implementing any revised staffing structures. Completion of the</p>	<p>Director of Community Engagement & Director of Local Environment</p>	<p>January 2014 (deadline for consideration of formal 'follow up' review from Audit Services)</p>	<p>Revised staffing structures will facilitate this improvement with responsibilities for the monitoring of outsourced contracts being identified within job descriptions.</p> <p>A specific post within the Community Engagement Directorate has been created, Contracts and Community Services Manager, whose responsibilities include managing the business relationship with the two significant contracts within Community Engagement, and to monitor and evaluate performance against the contract.</p> <p>The Director of Local Environment recognises that there is a need to strengthen contract performance management and to undertake more robust contract monitoring arrangements in order to achieve best value from contracts. This requirement formed part of a recently</p>

	<p>action plans will be subject to a formal audit follow up during 2013/14 and be reported to and closely monitored by the Audit Committee.</p>			<p>commenced consultation document on proposed changes to the Neighbourhood Services Team.</p> <p>Responsibilities for contract monitoring are proposed to be embedded within roles and responsibilities within the new team and will increase technical capacity for technical projects, improvement projects, tackling and solving problems, procurement and contract performance management. The consultation is due to end on 1st October 2013.</p> <p>A new back office database (Flare) and performance monitoring system is being rolled out in waste services and street cleansing and this will vastly improve the management of contract performance information and so facilitate the development of systems to monitor key contract performance. E.g. (1) The time taken for a replacement green box to be delivered to the customer by the contractor from the point of the customer request to the point of delivery; and (2) the number of litter complaints following collection .</p>
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Audit Committee

Agenda
Item:

A.7

Meeting Date: 26th September 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Progress Report 2013-14 (No. 2)
Report of: Director of Resources
Report Number: RD42/13

Purpose / Summary:

This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan.

Recommendations:

Members are requested to:

- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
- Note the position on the follow up of previous audit recommendations as outlined in section 3.
- Receive the completed audit reports referred to in section 4.

Tracking

Audit Committee	26 th September 2013
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 **BACKGROUND**

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other risk, governance and internal controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.

2 **AUDIT PERFORMANCE AGAINST THE 2013/14 AUDIT PLAN**

- 2.1 The 2013-14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15th April 2013 – report RD 06/13 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed 2013/14 Audit Plan, **Appendix A** illustrates the current position of the Plan up to the end of August 2013. The position can be summarised as follows:

	Allocated Days	Actual Days
High Risk	182	127
Value for Money & Efficiency	40	0
Main Financial System	148	16
ICT	25	0
Project Support	20	0
Fraud	25	10
Other	100	49
Total Audit Days 2013-14	540	202

- 2.2.1 The Plan calls for 540 direct audit days to be delivered in 2013/14 – 202 days (37%) have been delivered in the first quarter period. Time has been spent on the following areas:
 - 2013/14 audit reviews are ongoing in the areas of Revenues Recovery, Electoral Registration, Performance Management (Service Standards) and Organisational Development and Corporate Training.

The audit of Customer Services audit brief was agreed at the beginning of August 2013. The audit fieldwork has now been completed and findings and recommendations are currently being discussed with management.

- Detailed follow up audits being progressed in the areas of External Funding and Records Management.
- 2012/13 National Fraud Initiative (NFI) review of data matches is nearing completion.
- Discussions are taking place with Revenues and Benefits management to pursue the delivery of joint audit reviews on the 3 main systems within the Revenues and Benefits Shared Service in 2013/14; these being Council Tax, NNDR and Housing Benefits.

Undertaking cross cutting audit reviews has several perceived benefits including helping to reduce duplication for both Internal Audit and the client and thus aiming to use resources more efficiently and it will also look to provide assurance over the extent of the alignment of processes and procedures within the Revenues and Benefits Shared Service.

2.3 Members are asked to note the progress made against the agreed Audit Plan.

3 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

3.1 There are 3 methods used by Internal Audit to ensure all previous recommendations are followed up. The follow up procedure applied depends on the assurance rating and frequency of the audit. For clarity, these methods are explained below:

Central Monitoring

3.1.1 A revised system for the follow up of audits which have resulted in a reasonable or substantial assurance rating is in place. This utilises Covalent, the corporate performance management system for all applicable audit reports issued since April 2012. The process requires managers to input the action taken to effectively address each audit recommendation for which they are assigned responsibility to implement within the timescales defined in the agreed action plan. Internal Audit monitors the progress on these recommendations; no direct audit follow up work is undertaken.

- 3.1.2 A report on the position of all follow ups of previous audit recommendations monitored via Covalent is attached as **Appendix B**. Attention is drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.
- 3.1.3 In summary, 42 recommendations are currently being monitored; 23 where sufficient action is reported and these recommendations are now closed. There are 19 open recommendations; 6 recommendations are in progress and 13 recommendations where insufficient information has been provided to determine whether or not appropriate action has been taken to date. For those recommendations which have not had an adequate response, further enquiries with managers have been made.
- 3.1.4 Further improvements are to be made to this follow up process as it is known some managers have alternative means of monitoring outstanding recommendations within their service areas. Outstanding information shown in Covalent will continue to be pursued by Internal Audit and further guidance will be available to help managers provide more timely input and update of audit recommendations assigned to them.

Detailed Audit Follow Ups

- 3.1.5 Audit reviews which result in partial or limited assurance evaluations are followed up in detail by Internal Audit. These audit areas are incorporated into the annual audit planning process and audit days are allocated in the subsequent year to undertake a formal follow up review. There are 5 'partial' audit reviews from 2012/13 which have been incorporated into the 2013/14 Plan for formal follow up reviews to be undertaken, the outcome of each will be reported to a future meeting of this Committee.

For example - the audit report on Carlisle and Currock Cycleway Project – Lessons Learned, attached as Appendix F, is a formal audit follow up which has been undertaken. This report is considered in more detail within section 4 of this report.

Cyclical Audit Reviews

- 3.1.6 Audit recommendations arising from the cyclical main financial system reviews are followed up as part of the next audit review. A follow up schedule is used to report the position of previous recommendations; if the Auditor finds that insufficient action has been taken to implement a previous recommendation and this recommendation remains valid, the recommendation is carried forward for inclusion into the Summary of Recommendations / Agreed Action Plan.

For example- the audit reports on Fixed Assets and Creditor Payments, attached as Appendices D and E, are main financial systems reviews which include the follow up of previous audit recommendations. These reports are considered in more detail within section 4 of this report.

- 3.2 Members are asked to note the position on the follow up of previous audit recommendations.

4 REVIEW OF COMPLETED AUDIT WORK

- 4.1. There are 4 audit reports to be considered by Members at this time. Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix C**.
- 4.2. The Management Summary and a copy of the Summary of Recommendations / Action Plan for each completed audit review listed below have been provided within **Appendices D-G**.

<u>Audit of:</u>	<u>Assurance Evaluation</u>	<u>Appendix</u>
Fixed Assets	Substantial	D
Creditor Payments	Reasonable	E
Carlisle and Currock Cycleway Project	Reasonable	F
IT Business Continuity Planning	Partial Assurance	G

5 CONSULTATION

Not applicable

6 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1. It is recommended that Members:
- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
 - Note the position on the follow up of previous audit recommendations as outlined in section 3.
 - Receive the completed audit reports referred to in section 4.

7 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1. To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: **Gill Martin** **Ext: 7294**
 Audit Manager
 (Cumbria Shared Internal Audit Service)

Appendices A-G **Appendix A – 2013/14 Audit Plan Monitoring Update**
attached to report: **Appendix B – Follow Up of Previous Recommendations**
 Appendix C – Grading of Audit Recommendations and
 Assurance Evaluations
 Appendix D – Audit of Fixed Assets
 Appendix E – Audit of Creditor Payments
 Appendix F – Audit of Carlisle Cycle Way
 Appendix G– Audit of IT Business Continuity Planning

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**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL AUDIT PLAN 2013/14 (up to 31 August)

Directorate	Audit Area	Audit Days Allocated	Status	Assurance Evaluation	Audit Committee Date
High Risk Reviews					
Community Engagement	Revenues Recovery (inc. Housing Benefit Overpayments)	15	Ongoing		
Community Engagement	Customer Contact Centre	12	Ongoing		
Community Engagement	Leisure Services Contract	10			
Community Engagement / Economic Development	Projects and Partnerships - Stewardship arrangements	20			
Governance	Electoral Payments	10	Ongoing		
Local Environment	Carlisle Cycle Way	10	Completed	Reasonable	26-Sep-13
Local Environment	Recycling Contracts	15			
Local Environment	'Clean up Carlisle' - Street Cleaning (education & enforcement)	15			
Resources	Procurement - Tendering and Contracting	20	Draft		
Resources	External Funding - Compliance and Monitoring Arrangements	15	Ongoing		
Corporate	Records Management Arrangements	15	Ongoing		
Corporate	Performance Management - Service Standards	10	Draft		
Corporate	Organisational Development & Corporate Training	15	Ongoing		
		182			
Value for Money and Efficiency Reviews					
Corporate	Improvement, Efficiency and VFM Programme	20			
Corporate	Charging and Trading - income generation	20			
		40			
Main Financial System Reviews					
Community Engagement	Council Tax	12	Ongoing		
Community Engagement	Housing and Council Tax Benefits	20	Ongoing		
Community Engagement	National Non Domestic Rates	12	Ongoing		
Resources	Main Accounting System	20			
Resources	Fixed Assets	15	Completed	Substantial	26-Sep-13
Resources	Creditors	10			
Resources	Debtors	10			
Resources	Payroll	12			
Resources	Treasury Management	10			
Resources	Income Management	12			

Local Environment	Car Parking Income	15	
		148	
<u>ICT Reviews</u>			
Resources - ICT Connect	Project Management	10	
Resources - ICT Connect	IT Developments - use of electronic forms	15	
		25	
<u>Project Support</u>			
Community Engagement	Welfare Reform Changes	5	
Resources	Procurement - ePurchasing	15	
		20	
<u>Fraud</u>			
Corporate	National Fraud Initiative	15	Ongoing
Corporate	Counter Fraud Arrangements / Awareness	10	Ongoing
		25	
<u>Other Audit Work</u>			
Audit Management, Committee, Planning & Reporting		50	Ongoing
Follow Up of Previous Recommendations		10	Ongoing
Contingency		40	Ongoing
Total Audit Days 2013-14		540	

APPENDIX B

Summary of Audit Recommendations - Monitoring Report - Closed Actions

RED - Overdue
Amber - In progress
Green - Actioned

Overall total number of recommendations	42
Total number closed actions (attached list)	23
Total number of in progress actions	6
Total number of open actions	13

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed Action	Responsible Officer	Action completed by	Action taken	Action completed date	Audit closed
04/09/2012	Data Quality	Chief Executives Team	R1 The outstanding Transparency Code and the Localism Act requirements be actioned as soon as possible. Specific attention be given to the adding the Authority's policy relating to the publication of and access to information relating to remuneration to chief officers within the actual Pay Policy Statement in accordance with section 38 of the Localism Act. This statement should then be published on the Transparency page of the Authority's website in accordance with this statement.	B	Information relating to the remuneration of chief officers will be included in the Pay Policy Statement and published on the Council's website on the Transparency pages.	Policy & Communications Manager	31/01/2013	Link to Pay Policy Statement added to Transparency web page 2/1/13	31/01/2013	Ok

04/09/2012	Data Quality	Chief Executives Team	R2The Transparency pages on the Authority Website should be updated on a more timely basis.	B	Review of the content of the Transparency pages will be conducted quarterly.	Policy & Communications Manager	30/11/2012	Link to Pay Policy Statement added to Transparency web page 2/1/13	31/01/2013	Ok
04/09/2012	Data Quality	Chief Executives Team	R4 The Policy and Communications Manager should consider the merits (or otherwise) of internal audit verifying a number of performance indicators. If decided not necessary, the partnership should also be made aware of this decision. Any decision should be made in conjunction with the Audit Services Manager.	B	Benefits of internal audit verifying PIs to be considered and fed back to Audit Services Manager.	Policy & Communications Manager	31/12/2012	Audit Services have been requested to look at service standard:SS00 2 The percentage of missed waste or recycling collections	21/12/2012	Ok
04/09/2012	Data Quality	Chief Executives Team	R6 All partners should be required to sign a 'data quality statement' to ensure that they comply to the same quality standards as the Authority. This requirement should be incorporated into both the revised Data Quality Policy and the Partnership Protocols in detail.	B	Partners will sign a data quality statement and this requirement will be incorporated into the Data Quality Policy and strengthened within the Partnership Protocols.	Policy & Communications Manager/Development & Support Manager	31/03/2013	Revised Partnership Policy issued in June 2012	17/06/2012	Ok

08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R1 - Once an overpayment case has been heard at appeal stage, the Senior Appeals Officer should inform the Overpayments Team immediately so that recovery can restart or the system can be updated.	B	Complete	Housing Benefits Manager	30/09/2012	Completed	30/09/2012	Ok
08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R2 Due notice should be given to the Overpayments Team to be able to prepare the write-off information for the Director of Resources so that the due consideration can be given to each write-off and they are all viable and justified.	B	Complete	Housing Benefits Manager	01/10/2012	Completed	01/10/2012	Ok
08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R3 - It is recommended that a) ensuring all recovery and payments arrangements procedures so they can identify what is standard and not standard practice, and b) ensuring that notebooks are used in all cases so that if an overpayment appears unjustifiably low for the amount of debt, it can easily be identified why and/or questioned.	B	Complete	Housing Benefits Manager	10/10/2012	Completed	10/10/2012	Ok

30/08/2012 -	Development Control/Manag ement	Economic Development	R3 Refunded Planning Application fees should have a letter accompanying the cheque to the applicant stating why the refund has been made and a copy put on file. The actual process of how the letter accompanies the cheque will need to be agreed between the Planning Office and Creditors Section.	B	Letter to be set up in Acolaid to be completed and issued with refund request to EDAdmin and dispatched with refund cheque	Planning Manager/LLPG- Accolaid Development Officer	01/12/2012	Notifying applicants/agen ts when they require a refund	30/11/2012	Ok
30/08/2012	Development Control/Manag ement	Economic Development	R5 Hard copy file information should be completed in full where appropriate.	C	Change in procedure to be implemente d	Technical Officer(s)	01/12/2012	File notes completed	30/11/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R1 The Employee and Members Code of Conduct training should be mandatory for all. This may be achieved through the use of e-learning module supported by supplementary workshop sessions if appropriate.	B	As many courses as required will be provided; the issue is getting attendance. We do not have the power to compel Members to attend.	Director of Governance/Sup port Officer (SHE)	31/01/2013	The Ethical Governance Group has approved mandatory training for all. E-learning editing training is to be undertaken by a nominated member of staff. The package will then be rolled out to all staff and members.	09/01/2013	Ok

17/09/2012	Gifts & Hospitality	Governance	R2 Awareness surrounding the records of declined gifts and hospitality require to be addressed further.	C	E-learning may also assist this.	Director of Governance/Support Officer (SHE)	31/01/2013	Governance have written to all staff reminding them of the requirement	26/11/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R3 The Chief Executive's Gifts and Hospitality pro-forma should only be authorised by the Deputy Chief Executive.	C	Agreed and DoG will action. Not necessarily agreed that DoG is the responsible officer as to the level of delegation given to the CEO's PA	Director of Governance/Support Officer (SHE)	31/10/2012	This is now done (in fact from our records it always has).	31/10/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R4 Staff should ensure that all appropriate boxes are completed when checking / scanning the Gifts & Hospitality forms.	C	Agreed.	Director of Governance/Support Officer (SHE)	31/10/2012	Instruction given.	31/10/2012	Ok

17/09/2012	Gifts & Hospitality	Governance	R5 Thought should be given to further developing the Mayors engagements schedule to accommodate space for registering gifts received or submitting an e-mail on a weekly basis to Committee Clerks a daily listing on any gifts or hospitality received when attending functions. This could be filed with the weekly engagements schedule forming a Mayors Gifts & Hospitality register.	C	Agreed.	Director of Governance/Support Officer (SHE)	31/10/2012	Registration system set up.	31/10/2012	Ok
03/04/2013 -	Bereavement Services	Local Environment	R1 An actions plan should be prepared detailing specific objectives, responsible owners and target timescales.	D	Noted.	Neighbourhood & Green Spaces Manager	16/04/2013	Noted.	16/04/2013	Ok

06/09/2012	CCTV	Local Environment	<p>R1 Policies and procedures should be reviewed and updated where necessary to ensure there is full coverage over the activities of the CCTV service and appropriate guidance for relevant officers. Policies and Procedures should:</p> <ul style="list-style-type: none"> * Be electronic to aid review and update; * Record details of review and update to include date undertaken and by whom; * Be brought to the attention of relevant staff, who should sign and date that they have been read and understood and ; * Be accessible to all relevant staff - either hard copy (CCTV Operators etc) or electronic (e.g management or those with access to a pc). 	B	Agreed.	Environmental Health Manager	31/12/2012	<p>15/11/12: Code of Practice updated and ready to go on the K:drive. Operating Procedures finished. Policies to be circulated to staff with signing sheet</p>	11/01/2013	Ok
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06/09/2012	CCTV	Local Environment	R2 A review of all records and documents relating to the CCTV service should be undertaken so that only those are retained that are in current use and required by statute.	B	Agreed.	Environmental Health Manager	31/12/2012	15/11/12: lots of material removed via confidential waste. Still some corridor files being checked. 3 x operatives completed DPA training in Oct. All recent documents are DPA compliant.	11/01/2013	Ok
06/09/2012	CCTV	Local Environment	R3 A complete and accurate register of all CCTV cameras and their location details should be maintained.	B	Agreed.	Environmental Health Manager	31/10/2012	4/11/12: Accurate list available. Information also on consultation document.	04/01/2012	Ok
06/09/2012	CCTV	Local Environment	R4 Consideration should be given to whether there are better ways or arrangements, to deliver the recording and monitoring of the Brompton & Longtown camera images.	C	This will be very dependent on the savings identified to be achieved in the latest savings round. Its also likely to be political not just economic.	Environmental Health Manager	29/10/2012	19/11/12 Executive Report and recommendations on general CCTV provision and savings. Consultation process to start from 28/11/12.	11/01/2013	Ok

			R5 A review of performance monitoring requirements should be undertaken to establish what measures are important to the service in order to evidence decision making, aid continuous CCTV service improvement and ensure the effective deployment of human resources.	B	Agreed.	Environmental Health Manager	03/12/2012	Stats now recorded on types of incidents; how reported; and whether they are day or evening shifts of the days monitored. Monthly report data available from September 12.	21/11/2012	Ok
17/09/2012	Early & Flexible Retirements/R edundancy	Resources	R1 The Organisational Development Manager should be notified by the HR Manager and/or HR Advisor, at the beginning of any re-organisation likely to involve redundancy to enable the OD Section to formulate training plans and, if possible, tailored support packages.	B	The Organisational Development Manager will be notified by the HR Manager and/or HR Advisor, at the beginning of any re-organisation likely to involve redundancy to enable the OD Section to formulate training plans and, if possible, tailored support packages.	Personnel Manager	31/10/2012	Details passed to OD as/when available	31/10/2012	Ok

17/09/2012	Early & Flexible Retirements/R edundancy	Chief Executives Team	R2 Managers should receive formal training to provide them with skills in managing early retirements and redundancies in addition to the day to day informal ad-hoc working support provided by HR Advisors.	B	Skills based training courses on managing early retirements and redundancies will be included in the corporate training programme, E-learning modules will also be developed.	Organisational Development Manager	31/03/2013	Training course on managing redundancies was organised for November but has been postponed due to low numbers - will now take place in January.	31/03/2013	Ok
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17/09/2012	Early & Flexible Retirements/R edundancy	Resources	R4 Details used to calculate estimates/final calculations to support information in communications with staff and payroll should show the following information: * the actual salary used; * the grade and salary point: *whether the salary is affected by a protection period; *date of calculation. *ascertainment of weekly rate.	B	Details used to calculate estimates/fi nal calculations to support information in communicat ions with staff and payroll will show the following information: <ul style="list-style-type: none"> · The actual salary used. · The grade and salary point. · Whether the salary is affected by a protection period. · Ascertainme nt of weekly rate. Date of calculation. 	Personnel Manager	03/10/2012	Format to meet this is now included in supporting documentation.	03/10/2012	Ok
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Summary of Audit Recommendations - Monitoring Report (from April 2012 to-date) - Open Actions

RED - Overdue
Amber - In progress
Green - Actioned

Overall total number of recommendations	42
Total number closed actions (attached list)	23
Total number of in progress actions	6
Total number of open actions	13

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed action	Responsible Officer(s)	Action completed by	Progress Update as at 16 September 2013	Revised Action complete by date
19/12/2012	Tullie House - Management of Assets	Community Engagement	R1 - Financial Services must liaise with Tullie House management to a) implement a valuation process that is robust & will maintain the requirements of the Collection Loan Agreement & this should be reflected in the Collections database b) Ensure that the insurance valuation of the Collection is brought up to date.	B	To be considered as part of the Insurance Tender renewal process that will hopefully see a new Fine Arts policy added to the insurance schedule. As part of this revised valuations will be undertaken, either formal valuations or desk top exercise.	Financial Services Manager, Chief Accountant	01/05/2013	Valuations have been delayed in order that they are taken out on the same valuation programme as the Council's other property assets. Work is ongoing to prepare lists of assets and associated documents, e.g. photos, in preparation of approaching a valuer to undertake the task. It is hoped valuations will be undertaken by 31 March 2014.	31/03/2014

04/09/2012	Data Quality	Chief Executives Team	R3 The Data Quality Policy for Carlisle City Council requires updating to reflect current requirements and revised working practices.	B	Data Quality Policy will be updated.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R5 The quality of data should be assessed at source document stage in addition to the data transfer to Covalent stage to assure accuracy of information. The requirement of this should be included in the revised Data Quality Policy.	B	Requirement of data quality to be assessed at source document stage to be incorporated into revised Data Quality Policy.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R7 The risks associated with the availability of Authority data should be considered carefully and suitable mitigating actions applied to each. These should then be included within the relevant risk register(s) where appropriate.	B	Consider forming a data quality risk register or incorporating risks into existing registers.	Policy & Communications Manager	31/01/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R8 Consideration should be given to include responsibility for data quality within the senior officers and Performance staff job descriptions.	D	Consideration will be given to include responsibility for data quality within the senior officers and Performance staff job descriptions.	Policy & Communications Manager	31/03/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R9 On updating the Policy, the opportunity should be taken to enhance the existing Policy by including more specific roles and responsibilities that are measurable so these too can be monitored to ensure compliance and assist in embedding data quality standards throughout the Authority.	B	The Data Quality Policy update will include specific roles and responsibilities that can be measured and monitored.	Policy & Communications Manager	31/01/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R10 The data quality checking measures should be centrally monitored via the completion of assurance statements from a senior officer, that declares that they are satisfied that the data quality is of the highest level achievable and also take ownership for data quality in accordance with the policy.	B	Assurance statements will be produced by a senior officer (TBC) stating their satisfaction with data quality.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R11 It is important that after the revision of the Data Quality Policy, that staff are made aware of its existence and location, so that they are aware of their responsibilities regarding data quality from the outset and the importance of compliance. Staff training regarding data quality and the importance of such day to day working arrangements should be made available.	B	Revised Data Quality Policy will be highlighted to staff. Consideration will be given to producing a learning pool module.	Policy & Communications Manager	31/03/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R12 The homelessness statistics provided from the hostels and the final CLG P1E return should be reconciled prior to submission to ensure that all information input into the database is correct. Any deletions from the system that may affect any previously reported performance information should be logged separately and include a brief explanation for the deletion so that a report can be ran at anytime and the information will be accurate.	B	Checks will be made to ensure the CLG P1E return matches the current homelessness stats and is correct. Deletions will be recorded with a reason for deletion.	Policy & Communications Manager	30/11/2012	Awaiting progress update	
30/08/2012	Development Control/Management	Economic Development	R1 The Development Management Service Support Staff should all be following the same procedures relating to the receipt, banking and reconciliation of Planning Fees.	A	Protocol guidance to be prepared and implemented by ED Admin team	Planning Manager/Senior Administrator Performance Management	01/10/2012	Implemented - No-date completed	

30/08/2012	Development Control/Management	Economic Development	R2 Applications from City Council employees should be formally recorded in Acolaid under a specific reference for statistical and transparency purposes.	C	New City Council Employee field to be set up in Acolaid and employees recorded	Planning Manager/LLPG-Accolaid Development Officer/Technical Officer(s)	01/10/2012	Awaiting progress update	
30/08/2012	Development Control/Management	Economic Development	R4 Creditor requests should be copied to file following authorisation.	C	Change in procedure to be implemented	Planning Manager/Senior Administrator Performance Management	01/10/2012	Procedure notes for dealing with creditor requests updated - No-date completed	
03/04/2013	Bereavement Services	Local Environment	R2 The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services.	B	Service migration and transfer of office will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	
03/04/2013	Bereavement Services	Local Environment	R3 Invoices should be raised through the Council's corporate debtor system and the centralised debt recovery procedures should be applied.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	

03/04/2013	Bereavement Services	Local Environment	R4 The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	
03/04/2013	Bereavement Services	Local Environment	R5 Staff should be reminded of the need to test check a sample of the service charges on debtors invoice in particular when commencing a new financial year to verify fee/charge rate applied are in accordance with the latest fees/charges booklet.	B	The Bereavement Services team leader will instigate 'test checks' on a sample of Debtors invoices to ensure they are being charged at the up-to-date rate.	Neighbourhood & Green Spaces Manager	30/04/2013	Staff have been reminded that charges have changed and to check a sample of debtors invoices to ensure the up-to-date charges are being implemented. No-date of completion	
03/04/2013	Bereavement Services	Local Environment	R6 BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	

03/04/2013	Bereavement Services	Local Environment	R7 As part of the 2013/14 Cemeteries and Crematoriums budget setting process, budgets should be removed when not utilised and reviewed when there is evidence of being under utilised in previous years. In addition budget holders should be reminded of the need to ensure that expenditure should not be incurred when no budget is available.	B	A continuous review of budgets is on-going involving the service manager and senior accountancy assistant to identify under-utilised budgets and use them to offset spending pressures elsewhere in Bereavement Services. Recurring virements will be prepared as necessary. Officers will be reminded of the Financial Procedures which prohibit the use of codes where no budget is allocated.	Neighbourhood & Green Spaces Manager	30/04/2013	A process of reviewing and reallocating budgets is underway involving the accountant for this service. Officers have been reminded that no expenditure should be incurred against zero budgets. No-date of completion	
17/09/2012	Early & Flexible Retirements/Redundancy	Resources	R3 Leaver files should retain the sequentially dated documentation, divided into sub-sections, they had when they were "current" files.	D	EDMS will hold the information electronically in sub-divided format. Hard-copy filing process to be reviewed.	Support Services Team Leader	31/03/2013	Work on EDMS on-going; manual files reviewed but time/resources insufficient to do this for benefit that would be achieved. No completion date	

Grading of Audit Recommendations and Assurance Evaluations

(1) Audit Recommendations

Each audit recommendation arising from an audit review is allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of or failure to comply with a key control leading to a fundamental weakness and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

(2) Audit Assurance Evaluations

Audit assurance evaluations are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance evaluation given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc. The levels of assurance are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
FIXED ASSETS**

Draft Report Issued: 23rd August 2013

Final Report Issued: 10 September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Fixed Assets forms part of the annual programme of material reviews for 2012/13, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts.

2. BACKGROUND INFORMATION

- 2.1. The Council's fixed assets are recognised and measured in accordance with their accounting policy that includes Heritage assets; Intangible assets; Investment property; Property, Plant and Equipment etc.
- 2.2. The Council's accounting policies are reviewed on annual basis in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting. The key accounting changes to the 2012/13 Code has no impact to fixed assets.
- 2.3. For the period 2012/13 an analysis of capital expenditure by asset classification is detailed as follows:

Fixed Assets	£
Op Land & Bldg	946,882
Op Infrastructure	113,770
Op Equip, Vehicle & Plant	1,041,162
Op Community	62,182
Non Op Investment	442,206
Heritage	34,972
Non Op Auc	1,008,250
Refcus	1,148,600
	4,798,024
Assets acquired as an exchange	535,000
Total	5,333,024

- 2.4. Valuations of assets are undertaken at the year end and any movements and charges are applied and reflected in the fixed asset register "Real Asset Management" after the Capital Outturn report in mid-May.
- 2.5. The Chief Accountant supported by a Group Accountant within Financial Services are responsible for monitoring and reporting on the Capital Programme throughout the year; capitalising expenditure in accordance with the accounting policy and at the year end updating and reconciling the fixed asset register to the financial ledger.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- appropriate measures are in place to sufficiently evidence existence and ownership of assets (the audit recommendation reported in 2011/12 review refers);
 - fixed assets are recognised and measured in accordance with the relevant accounting standards and policies adopted; and
 - fixed assets are acquired and disposed of in accordance with the relevant accounting standards and policies adopted.

Section 1 – Management Summary

- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to fixed assets and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW –

- 4.1. An audit of fixed assets was previously carried out in 2011/12. This review awarded a Reasonable Assurance level and resulted in one recommendation. Appendix B lists the recommendations made and the actions which have been taken to address these.
- 4.2. It is concluded that progress has been taken to partially implement the one previous audit recommendation made. A recommendation (grade C) relating to the one remaining property has been incorporated into the 2013-14 Summary of Recommendations/Action Plan attached as Appendix C.

5. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 5.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 5.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

Section 1 – Management Summary

6. EVALUATION AND RECOMMENDATIONS ARISING

- 6.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Fixed Assets provide **Substantial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Policies and Procedures	Substantial	0	0	0
7.2	Existence and Ownership of Fixed Assets	Substantial	0	1	0
7.3	Acquisitions and Disposals	Substantial	0	0	0
Overall Evaluation / No. of Recommendations		Substantial	0	1	0

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. The **Substantial** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 7.2. *Areas of good practice noted:*
- knowledgeable and very experienced staff; and
 - transparent financial records.
- 7.3. One opportunity to further enhance controls has been identified; this matter is detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix C.
- 7.4. There are no key issues arising from this review.

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources	Report to be noted.
Director of Governance	Report to be noted.
Financial Services Manager, Resources	Report to be noted.
Legal Services Manager, Governance	Action required. Please refer to Appendix C - Summary of Recommendations / Action Plan.
Property Services Manager Resources	Report to be noted.
Chief Accountant Resources	Report to be noted.

Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix C) at its next meeting on 26 th September 2013.

RESOURCES DIRECTORATE

AUDIT FOLLOW UP OF FIXED ASSET
Final report issued 30 MARCH 2012

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Internal Audit)
R1	That the remaining 3 assets (per para. 9.2.1.) where no land registry title numbers exist are resolved. Details of missing land registry title numbers for the additional sample tested should also be resolved.	B	For 2 out of the 3 properties Internal Audit have been provided with evidence that shows land registry title for one of the properties and for the other property title is not required as it is held in trust on behalf of a charity. For one remaining property at Stanwix Bank, Legal Services are still working to obtain evidence of ownership and title for this.	Partially implemented.

RESOURCES DIRECTORATE

Audit of FIXED ASSETS (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	Internal Audit testing noted that for one remaining property ie Stanwix Bank, Legal Services are still working to obtain evidence of ownership and title for this.	For the one remain property at Stanwix Bank, where no land registry title number exist, Legal Services should resolve the ownership and title for this.	Asset not owned by the Council.	B	Make application to HM Land Registry for registration of title to land.	Legal Services Manager	13 December 2013

APPENDIX E

**CARLISLE
CITY COUNCIL**



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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Creditors 2012/13

Draft Report Issued: 28th March 2013
Revised Draft Issued: 19th August 2013
Final Report Issued: 2nd September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Creditor Payments forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. External Audit place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Beverley Fisher.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources, Resources	Report to be noted.
Financial Services Manager, Resources	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Development & Support Manager, Resources	Report to be noted
Service Support Team Leader, Resources	Report to be noted
Principal Finance / Systems Officer	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at the next meeting on 26 th September 2013.

3. BACKGROUND INFORMATION

- 3.1. The overall objective of the Creditors system is to ensure that the right amount is paid to the right creditor at the right time.
- 3.2. Key aims of the service are:
- To ensure creditors are paid on time (performance targets for payment times exist to monitor this requirement);
 - To ensure that goods ordered are received in full and are acceptable quality;
 - To ensure that all authorised suppliers are treated fairly and responsibly; and
 - To ensure that cost effective procedures exist over the management and processing of payments – including payments are not made earlier than necessary and all applicable cost effective discounts are claimed.

Section 1 – Management Summary

- 3.3. The Service Support Team Leader, who, reports directly to the Director of Resources, oversees the operational duties and responsibilities of the Creditors Payments function. The central team within Support Services consists of 2 part time staff (1 FTE) whose main responsibilities involve overseeing the checking and authorisation of payments. The technical aspects of the function remain the responsibility of Financial Services.
- 3.4. The creditor payment process is initiated by the placing of an official order to an approved supplier and results in an authorised payment in respect of the order to that same supplier. The Council processes approximately 10,200 payments through the Civica creditor payment system each year, invoices for about half of which are input locally (i.e. by officers in directorates). These processing arrangements involve the raising of purchase orders, goods received/recorded, receiving/checking/matching invoices and the invoice certification process. Each directorate has authorised users responsible for these tasks. The number of invoices received and processed through the creditor payment system is reducing due to less expenditure being made and alternative payment methods such as consolidated invoicing from suppliers and electronic payments.

e-Purchasing

- 3.5. The use of e-purchasing has been in a pilot phase for a number of years and is limited to just 3 suppliers; 2 "catalogue" suppliers along with the limited use of "free text" ordering. An iterative upgrade to all financial systems including Creditors during February / March 2013, which allowed an upgrade from version 9.1 to version 13, is now complete and will, amongst other things, allow progress to be made in rolling out e-purchasing across the Council.
- 3.6. The invoice authorisation processes for electronic purchase orders is the same as all other invoices i.e. blue certification slip completed prior to invoice registration and payment.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	General Controls
2.	Ordering
3.	Receipt of Goods
4.	Invoice Verification
5.	Use of Billheads Pro Forma
6.	Payments
7.	Security of Data

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Creditors which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to directorate's operational risk registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

Section 1 – Management Summary

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Creditors was previously carried out in 2011/12. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. There are still outstanding issues for address. These matters have been reviewed as part of the 2012-13 audit review and outstanding recommendations have been incorporated into Appendix B – Summary of Recommendations / Agreed Action Plan.

6. RECOMMENDATIONS

- 6.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

**A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

- 6.2. There are 6 recommendations arising from this review:

4 - Grade B
2 - Grade C

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Creditors provide **reasonable** assurance.

Section 1 – Management Summary

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The reasonable assurance level given to an audit area is influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.2. Responsibilities for individual invoice payment transactions sit at directorate level. Transformational changes to services, team structures and officer responsibilities within directorates will have had an impact on these devolved creditor payment responsibilities. This is apparent through the level of change seen in authorised signatory listings. The weekly payment runs and reconciliation arrangements are undertaken centrally by experienced and knowledgeable officers who are able to deal with all aspects of the creditor payments function. Finance also provides valuable ongoing technical support to this function.
- 8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 8.4. A key finding arising from this review concerns the corporate arrangements for making payments where an official supplier invoice is not available for processing. Whilst there is recognition of instances where payments in *very exceptional circumstances* need to be made against documents other than official invoices, Financial Procedures Rules should be reviewed and clarify these arrangements. The Purchase Ledger Procedures detailing these types of payment should be reviewed, updated and fully document for all to understand and apply.

Also, in such circumstances, it is essential that supporting documentation is provided to support these payments. Testing found that in many cases the reasons for the payment to be made in this way is not clear and evidence to support the payment is not routinely attached.

- 8.5. The bulk of the purchase orders which result in an invoice for payment are manually produced and require matching to an official supplier invoice. Detailed testing of each stage of the purchase order and payment process has highlighted some slippage in terms of compliance to agreed procedures at the ordering stage of the process. The key issues arising from this testing are:
- Goods/services received are not always matched and the details cross checked to the original order before payment is authorised.
 - Orders are being raised after the invoice is received;
 - Purchase orders are not always signed by an authorised signatory.
 - Lack of evidence that 'goods received' part of the invoice certification process is not being completed in full.

The above issues are a result of system controls not been consistently applied and these are the enforceable by officers within directorates who have authorised signatory responsibilities.

Adherence to these controls would be significantly strengthened across all Council directorates by further training / guidance to staff along side the wider implementation of the corporate e-purchasing system. This matter is discussed further at 8.7 below.

- 8.6. The Council should also look to further enhance measures in place to control and check changes to the Creditor master file to protect against inaccurate and potential fraudulent requests to change supplier payment details.

Section 1 – Management Summary

8.7. Electronic Purchasing System

- 8.7.1. The intended moved from a manual corporate purchase ordering (and payment) system to electronic purchasing arrangements has been pending for a number of years and little progress has been made to move this forward. This matter was formally raised in the 2010/11 audit of creditor payments and again in 2011/12. The reasons for the lack of progress is due to lack of resources available to carry out the project, transformational changes which have resulted in service restructures and changes to approved officers for purchase order and invoice authorisation purposes and a delay in the upgrade of the Civica suite of financial systems. The recent upgrade of the financial systems will, in part, enable the Council to progress the e-purchasing system corporate roll out
- 8.7.2. The implementation of strict measures concerning purchase ordering and authorisation (privacy groups) and completion of goods received, along with the potential to electronically match invoices received to purchase order raised, will help to significantly strengthen system controls, aid compliance to agreed creditor payment procedures and also improve accountancy practices to include commitment accounting and enhanced budget monitoring arrangements. The benefit of a more streamlined process from the initial order through to payment will also automate processes through improved system integration (between e-purchasing, main accounting and creditor payments system interfaces) and may also reduce the amount staff resource needed in respect of procurement and creditor payment processes within departments.
- 8.7.3. It has always been the Council's intention to roll out the use of the e-purchasing system and it is now essential that it is able to progress with this system implementation without further delay. A project group has been established to oversee this implementation programme and Internal Audit will support this project via 'hot assurance' audit work throughout 2013/14 as required by the project manager.

RESOURCES DIRECTORATE

AUDIT FOLLOW UP OF CREDITORS
Final report issued 26TH June 2012

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Audit Services)
R1	<p>System administrators should implement a robust and holistic approach to ensure system users and user accesses are appropriate. It is suggested that the following be actioned:</p> <ul style="list-style-type: none"> - Every six months a system administrator should circulate a list of users and associated access levels (with an explanation of what each access level enables a user to do) to service managers requesting them to confirm that the access and access level granted to each of their staff is appropriate (and not excessive) to allow them to undertake their duties and responsibilities. I.e. this should pick up leavers, staff transferred to another post within the Council, pool staff, name changes and maternity leave etc; - Access to the system should be granted through service manager request and not the request of the member of staff wishing to have access. In the absence of the service manager a deputy manager or senior employee to request the access on the individuals behalf; - There should be a review of the number of staff designated as system administrators. Ideally there should be the minimum number 	B	<p>In the process of formalising requests for access to all systems and regular monitoring will be incorporated into this process and these recommendations will be considered as part of this.</p> <p><u>Comment from Financial Services Manager.</u></p> <p>Satisfied. Much of this recommendation (R1) has been superseded by the 2012/13 Internal Audit review of Systems Administration.</p> <p>Will circulate list for the Financial system upgrade in late February 2013.</p> <p>Service users only register invoices in the Creditors system. The information entered is checked by Creditors staff during the authorisation process. Part of this process is ensuring that the documents have been certified by an appropriate authorised signature for the service. No payments are made without this control process.</p>	<p>This matter has been reviewed as part of the wider audit on Systems Administration. There were no specific issues relating to Creditor Payments arising from this review.</p>

	<p>possible assigned to this role but sufficient to ensure that there are appropriate cover arrangements in case of any absence; and</p> <p>On receipt of service manager confirmation or request appropriate amendments to users/user access levels are made by the system administrator and the documentation is retained as evidence to reflect the system accesses/access levels applied to and within the system.</p>		<p>The number of system administrators is not excessive as it provides sufficient cover for part time working, absences etc. External audit were satisfied in January 2013</p> <p>Will retain replies from managers when lists are circulated.</p>		
R2	<p>Authorising officers should be reminded of their obligations under the financial procedure rules to ensure all relevant information and details are sought and entered onto the corporate order form.</p>	B	<p>This forms part of the annual Budgetary Control training and a further reminder was issued to all staff in November 2011.</p> <p>This will also be rectified with the forthcoming wider implementation of the e-purchasing system in mid – 2012. The Council is moving to the latest release of software to ensure optimum performance and wider integration is obtained.</p> <p><u>Comments from Financial Services Manager.</u></p> <p>Satisfied – use of e-learning package as a training tool to supplement the normal training session will also be considered.</p> <p>This is covered as part of the budgetary control training provided each year and Creditor users are reminded by e-mail each year that an order and certification slip should be attached to the invoice. The rollout of electronic ordering after the Purchasing system upgrade will ensure</p>	No – See Section 9.2. of the main report and recommendation R2.	

APPENDIX A

			orders are completed correctly.	
R3	Section managers within Local Environment should improve the timeliness of invoice payments in their respective services areas as the existing volume of late payments adversely affects the Council's overall performance target.	B	Raised with managers in Highways, Street Scene and Waste. Contractor Plus no longer being used.	No – There matter is connected to a wider issue discussed at 9.3.7 (see also para 9.5.14) of the main report and recommendation R5.
R4	It would be beneficial to upgrade the Creditors system to enable the Construction Industry Scheme monthly returns file to be submitted electronically via the Government Gateway.	C	<p>The Council is moving to the latest release of the live Financials software to ensure optimum performance and wider integration is obtained. The upgrade to the latest version is currently being tested but the recommendation will be acted upon once the upgrade is complete. This is expected to be May 2012 and therefore electronic submissions will follow this completion date.</p> <p><u>Comments from Financial Services Manager.</u></p> <p>Satisfied – Work in progress which will be implemented after the creditors system upgrade. This will be monitored by the Financial Systems Group and reported through the Financial Management Team.</p> <p>Creditors system upgrade scheduled for late Feb 2013. Financials system group will continue to meet after the upgrade in order to implement enhancements available in later releases including the electronic submission of CIS Returns.</p>	Not examined in 2013-13 but sufficient action looks to have been taken to address this matter.

RESOURCES DIRECTORATE

Audit of Creditors

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	The Council should look to further enhance measures in place to control check changes to the Creditor master file to protect against potential fraudulent requests to change supplier payment details.	<p>The Council should look to further enhance measures in place to control changes to the Creditor master file to further protect against fraudulent requests to supplier payment details:</p> <ul style="list-style-type: none"> - Independent checks undertaken in Financial Services are in place but these require documented evidence and the outcome to be relied upon. - Any requests to change creditor master records i.e. company name, address, payment method or bank details, the Finance Assistant should ask the Creditor additional security questions to further confirm their identity e.g. details of previous payments made by the Council to their organisation. 	<p>Unauthorised changes to core creditor payment processing information.</p> <p>Fraudulent payments may result.</p>	B	Enhanced controls to improve current practice will be considered for formally adoption and reflected in relevant procedure manuals as necessary.	Financial Services & HR Manager	Immediate effect
R2	Expected controls in respect of manually raising purchase orders, authorisation and matching for payment are not	Authorising officers should be reminded of their obligations under the Financial Procedure Rules to ensure all relevant information and details are sought and entered onto the corporate order form accordingly and matched to the invoice	<p>Non compliance with the Council's Financial Procedure Rules.</p> <p>Authorisation of</p>	B	A further reminder will be issued to all authorising officers and to all budget holders	Financial Services & HR Manager	Sept 2013

APPENDIX C

	consistently and routinely applied. This level of control sits within directorates and authorising officers should be actively rejecting payments which do not conform.	upon receipt. They should also be reminded that they are expected to reject invoices for payment which do not conform.	invoices is not recognised.		and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.		
R3	Goods Received is an integral part of the purchasing process but there is evidence that it is not always actively complied with and enforced.	The check of goods/services received should always be completed on the invoice certification slip. Wherever applicable, the Goods Received Note should be attached to the original order retained in the order book. The invoice details should always be checked by an appropriate officer with knowledge of the original order and Goods Received Note before payment is made.	Non compliance with the Council's Financial Procedure Rules. Goods / services received may be incorrect to the original order or not received but payment may still be processed.	B	A further reminder will be issued to all authorising officers and to all budget holders and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.	Financial Services & HR Manager	Sept 2013
R4	The certification of invoices (i.e. the approval to pay) is sometimes initialled rather than the full signature being provided as per the specimen signatory list	Authorising officers should be reminded to use their full signature, as provided on the specimen signatory list, where verifying / approving invoices for payment.	Authorisation of invoices is not recognised.	C	A further reminder will be issued to all authorising officers and to all budget holders and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.	Financial Services & HR Manager	Sept 2013

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R5	Some sections with the Local Environment directorate have different invoice processing arrangements to those which are applied corporately.	Financial Services should encourage the Local Environment directorate to receive and process their own invoices without additional support from Support Services.	Lack of consistency in applying corporate invoice processing procedures; Reduced accountability within the Local Environment directorate	C	This practice will be reviewed as part of the e-purchasing project plan.	Financial Services & HR Manager	Spring/ Summer 2014
R6	The arrangements for making payments where an official supplier invoice is not required needs to be further clarified within the Financial Procedure Rules and detailed in the Purchase Ledger Procedures and to ensure all staff understand the requirements and additional controls in place to make such payments.	Financial Services should take action to clarify and strengthen the arrangements in place which enables payments to be made where an official supplier invoice is not applicable. Specifically: <ul style="list-style-type: none"> Financial Procedure Rule D.76 should reviewed and clarify the arrangements of 'exceptional circumstances' where an official invoice is not present is required. The Purchase Ledger Procedures should be reviewed and updated to detail: <ul style="list-style-type: none"> the controls in place to process and make payments when not having an official invoice to process. ie appropriate use and controls of using existing billhead pro-formas etc. the additional measures to enable such payments to be made (e.g. additional level of authorisation and types of supporting documentation required to support the 	Lack of clarity around payments with no official invoice. Payment procedures (via billhead pro formas) are not defined and documented. System is open to abuse and fraud. Payments made which are not sufficiently supported / evidenced. Potential for incorrect / unapproved payments.	B	The FPR's are reviewed on an annual basis; this recommendation will form part of the next review.	Financial Services & HR Manager	Autumn 2013

APPENDIX C

		<ul style="list-style-type: none"> payment). unsupported requests should be rejected for payment by the Service Support team. 							
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SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
LOCAL ENVIRONMENT DIRECTORATE**

**ON:
Audit Follow Up of The Carlisle,
& Currock Cycleway Project – Lessons Learned**

Draft Report Issued: 27 June 2013

Final Report Issued: 4 September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit follow up of the lessons learned review of The Carlisle & Currock Cycleway Project (aka Connect2 Cycleway Scheme), which was originally reported in July 2012, is included in the agreed 2013/14 Audit Plan.
- 1.2. The purpose of this review is to perform a detailed follow up audit to ensure that all recommendations have been actioned to a satisfactory level.

2. BACKGROUND INFORMATION

- 2.1. The July 2012 review of The Carlisle & Currock Cycleway Project - Lessons Learned reported that the original scheme was considered to be a highly ambitious project which was awarded in a more prosperous economic climate. The review highlighted a number of issues that included:
 - a lack of initial funding which should have been considered a risk to the Council;
 - there appeared to have been a lack of attention to the detail within the Memorandum of Understanding; a detailed legal document which covered specific terms and conditions of the funding and requirements imposed on the contracting parties.
 - the project management arrangements were not properly established from the outset and the arrangements in place led to a number of growing concerns regarding progress made against expected plans, timeliness of delivery, adequacy of support funding and ongoing buy in / support to the Scheme. Key 'project management' lessons learned included:
 - Project Documentation: the position could not be fully established due to the lack of documentation available for examination. There were also issues surrounding the actions taken to internally report project concerns to key officers and members;
 - Staffing Resources and Funding Issues - the Scheme was a sizeable project and officers involved in its delivery progressed this in tandem with their other duties. This was recognised as a challenging task for all concerned;
 - Established Project Group and Sponsor – there was a lack of general project ownership, particularly surrounding the responsibility for progression and monitoring arrangements prior to the Scheme being placed 'at risk'. Also, without a defined and supportive Project Group, there was a lack of detailed planning including resource availability, progress reporting and accurate costings. Scheme timescales/events were not adequately recorded and progressed and there was an insufficiently detailed audit trail of events. The Project Sponsor role was also not clearly defined throughout the life of the project.
 - Project Timescales - the Scheme had what was considered to be a generous 5 year timescale attached to its delivery but it was questionable whether sufficient progress had been made in the time which has elapsed when the project was placed into special measures.
 - Support from Other Parties - the County Council was supportive in the Scheme's progress but there was a lack of stakeholder/public involvement as a key steering group, which was to be led by the County Council, had not been set up in accordance with the agreed Memorandum of Understanding. This was considered a key driver to the success of the cycleway and the lack of such a steering group was seen as a missed opportunity in terms of ongoing support to the Scheme;

Section 1 – Management Summary

- Exit Strategy - the City Council should have fully considered the implications of the exit strategy detailed in the Memorandum of Understanding which were duly applied in the wind up of the Scheme. This included the financial and reputational risks likely to emerge from such action taken and the opportunity to move to an independent arbitration should it have been required; and
- Risk Management - there was insufficient consideration of project risks from the initiation of the Scheme, when the project was 'live' and when it was placed 'at risk'.

- 2.2. A detailed action plan was agreed which addressed these key issues arising from this initial audit review. The final audit report was considered by the Audit Committee in July 2012 and it was agreed that a formal follow up of the recommendations would be carried out by Internal Audit during 2013/14.

3. SCOPE AND OBJECTIVES

- 3.1. The audit review of the Carlisle & Currock Cycleway Project - Lessons Learned was previously awarded a restricted assurance level.
- 3.2. Follow up audit testing and verification has been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The areas examined are detailed as follows:
- Revised Cycleway Action Plan and Funding requirements
 - Cycleway Steering Group
 - County Council Adoption of Lengths of the Cycleway
 - Currock Railway Bridge
 - Project Management Arrangements

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of

Section 1 – Management Summary

	internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this follow up of The Carlisle & Currock Cycleway Project - Lessons Learned, we consider the current controls operating within provide **Reasonable** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Revised Cycleway Action Plan and Funding Requirements	Substantial	-	-	2
7.2	Cycleway Steering Group	Substantial	-	-	-
7.3	County Council adoption of lengths of the cycleway.	Substantial	-	-	1
7.4	Currock Railway Bridge	Substantial	-	-	-
7.5	Project Management Arrangements	Reasonable	-	3	2
Overall Evaluation / No. of Recommendations		Reasonable	-	3	5

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **Reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- a team of very experienced staff; and
 - that there is continuous improvement in the project management arrangements within the Authority with the introduction of the new Corporate Programme Board "CPB" and the recent implementation of SharePoint project management software.
- 6.3. It is concluded that sufficient progress has been made to implement the 8 previous audit recommendations: 4 have been implemented and 4 have not been fully implemented. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 - Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. It is recognised that the progress and completion of the Carlisle & Currock Cycleway Project Revised Action Plan is dependent on funding becoming available. Once funding is received a cycleway project is established and a project manager is appointed to manage and report on the progress of the project to a Project Sponsor and where appropriate the CPB. The key issues arising from this audit review focussed on issues to further strengthen the project management arrangements of these individual cycleway projects– specific matters to address fall under 3 key areas:
- Reporting Format - there is no evidence that the Guide to Project Management Check Sheet and standard forms have been approved in accordance with corporate project management arrangements and project issues and exceptions logs are not reported as expected.

Section 1 – Management Summary

- Risk Management - project risk management arrangements need to be strengthened by ensuring that all key project risks are fully considered (eg future ownership of cycleway routes for maintenance purposes) and that a risk owner has been identified for each risk listed on the project risk register; and
- Corporate Guidance - there is no guidance provided to Project Sponsors and Project Managers to define their delegated authority on projects i.e. approving project plan etc, when there is no project board appointed, nor is there guidance for project managers to define the CPB's definition of a "a major project issue to be reported".

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Local Environment	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Highways Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Director of Resources	Report to be noted.
Building Projects Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Policy & Communications Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan

Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 26 th September 2013.

LOCAL ENVIRONMENT DIRECTORATE

Audit Follow up of The Carlisle & Currock Cycleway Project – Lessons Learned (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	<p>The availability of funding is the key factor which restricts future progress of completing the cycleway scheme project.</p> <p>In Internal Audit's opinion the issue that the cycleway scheme project will not be completed as it is dependent on funding becoming available requires to be reported to the CPB.</p>	<p>The Director of Local Environment should ensure that the funding arrangements and restrictions on moving the Carlisle & Currock Cycleway Project 2012 Revised Plan forward is reported to the CPB that the cycleway will not be completed within a defined period as it is dependent on funding becoming available.</p>	<p>CPB are not informed of funding developments project priorities to complete the cycleway scheme project.</p> <p>Funding may be received and project resources not identified.</p>	C	Agreed.	Director of Local Environment	23 October 2013
R2	<p>It was noted that cycleway once funding is received for the core or aspirational routes there is no evidence on the Carlisle & Currock Cycleway Project April 2012 Revised Plan of the date funding is received and the project's timescales reported to the Project Sponsor and where appropriate Corporate Programme Board.</p>	<p>Once funding is received, the Carlisle & Currock Cycleway Project 2012 Revised Plan should be updated to record the date it is received and the project timescales reported to the Project Sponsor and where appropriate the Corporate Programme Board.</p>	<p>Funding may be received and project resources not identified.</p>	C	<p>Agreed. The Project Plan will be updated each time any funding for the Project is received and the date of receipt will be noted. The Director of Local Environment, the Project Sponsor, will be advised of any such funding being received.</p>	Highways Manager	August 2013

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R3	<p>The arrangements in place to record the formal adoption of the cycleway by Cumbria County Council should be properly recorded to ensure transparency and completeness.</p>	<p>Cycleway adoption reports to the joint Carlisle City and County Council Highways & Transport Working Group to recommend adoption for maintenance purposes should be retained centrally. The Carlisle & Currock Cycleway Project 2012 Revised Plan should be updated to show the date of the adoption request to the joint Carlisle City and County Council Highways & Transport Working Group and the date the Local Committee approved adoption.</p>	<p>Uncertainty over the 'ownership' of the cycle way and potential ongoing maintenance costs which need to be met by the City Council.</p>	C	<p>Agreed. Any reports sent to the HTWG regarding adoption of the cycleway are retained centrally by the Executive Assistant and also by the County Council. At the meeting of the HTWG on the 12th August 2013 it was recommended that the remaining completed sections of Cycleway which have been constructed between Holmehead and Viaduct estate Road should be adopted, excluding the Railway Bridge over the Caldew. When adoption is approved the Project Plan will be updated. It is then likely to be some considerable time before other sections are ready for adoption.</p>	Highways Manager	August 2013
R4	<p>There is no evidence that key project control documents / templates used by the Resourcing Planning Manager have been approved and are in accordance with corporate project management</p>	<p>The project management arrangements for cycleway projects should be reviewed and approved by the Corporate Programme Board in accordance with corporate project management arrangements.</p>	<p>Non compliance and breach of corporate project management arrangements.</p>	B	<p>Agreed. Key control documents have been reviewed and are now used in accordance with CPB requirements.</p>	Policy & Communications Manager	April 2013?

APPENDIX B

arrangements.								
R5	<p>Project highlight and exception reporting are not sufficiently presented. Such matters are contained within the main report, but they are not sufficiently summarised on the face of the report. This leads to concerns that key issues maybe missed or overlooked.</p> <p>For example - the Castleway Cycle Ramp Project had no evidence to show that an issue and exception log had been completed and matters had not be sufficiently identified in the monthly Highlight progress report to the Corporate Programme Board.</p>	<p>A project issues and exceptions log should be completed for each project and the Project Management Check Sheet and standard forms should be updated to include these.</p>	<p>Issues and exceptions may be overlooked and not escalated therefore remain unresolved and further project risks may arise.</p>	B	<p>Agreed. Amend Doc.028 on Project Management W drive proforma, to include Exception and Issue Log considerations.</p> <p>Create Exception Report and Issue Log proforma on W Drive.</p> <p>Transfer elements as necessary to Main monthly Report Doc.028</p>	Building Projects Manager	26/07/13	5/08/13 Monthly
R6	<p>There is no evidence to indicate whether identified risks on the project risk register are routinely reviewed.</p> <p>Also, there is no risk referring to the uncertainty over the future 'ownership' of the cycle way and ongoing maintenance costs and a risk owner is not always identified for each</p>	<p>A risk owner should also be identified and recorded against each risk on the risk assessment and the risk register should be updated throughout the projects life. Wider consideration of the risk detailing the uncertainty over the future 'ownership' of the cycle way and ongoing maintenance costs should also be detailed in all cycleway project risk registers.</p>	<p>Risks may remain unaccounted for and not regularly reviewed.</p> <p>No ownership of risks identified and therefore not properly managed.</p>	C	<p>Agreed. Amend Doc.026 on Project Management W drive proforma, to include Ownership and status.</p> <p>Update current Risk log to include new criteria.</p> <p>Regular reviews as necessary</p>	Building Projects Manager	26/07/13	5/08/13 As necessary

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	risk listed.						
R7	<p>With no project board established for the Castleway Cycle Ramp Project, documented evidence to define delegated decision making authority (i.e. approved the project plan, authorise to the next stage etc) should be in place.</p> <p>Where changes were made to project timescales, costs, project requirements etc there is no evidence regarding the level of delegated authority which had been approved to enable the Resourcing Planning Manager to approve these changes.</p>	<p>When no project board is appointed the delegated authority to the Project Sponsor and Project Manager should be clearly defined i.e. approving project plans, changes to project requirements and project timescales, costs etc.</p>	<p>Unauthorised decisions maybe taken detrimental to the project.</p>	B	<p>Agreed. CPD have agreed a new Project Lifecycle which deals with this issue. The Directorate and the regular DMT meetings link in with the CPD.</p> <p>The Lifecycle includes the monitoring of projects through the Directorate DMTs and CPB. This is particularly important when no project board is appointed.</p>	Policy & Communications Manager	July 2013
R8	<p>What constitutes as a major project issue and the impact of such an issue should be more clearly defined for future reporting to the Corporate Programme Board.</p> <p>For example - the December 2012 PAG progress report for the Castleway Cycle Ramp project recorded some problems and delays in completing project tasks but</p>	<p>Guidance should be provided to project managers to define what is considered "a major project issue" to be reported to the Corporate Programme Board i.e. changes to project plan, timescale and cost.</p>	<p>Confusion and inconsistencies in reporting project issues may result in incorrect decisions being taken.</p>	C	<p>Agreed. Clear matrix for projects now in place. This links to the lifecycle and the level of control required by the CPD.</p> <p>The scoring matrix is completed with advice from Programme Office.</p> <p>Project Managers are reminded that guidance</p>	Policy & Communications Manager	Existing document amended in May 2013 November 2013

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	it did not highlight the impact of these on the project timescales i.e. a 5 month delay should have been reported as a project issue to the PAG.				on a major project issue is available in the Prince2 manual (CS4 Examining Project Issues). The project manager is expected to begin the evaluation of the impact of the issue using the key criteria (7.7.6). Details will be included in the handbook.		
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APPENDIX G



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
IT Business Continuity**

**Draft Report Issued: 11th April 2013
Revised Draft Issued: 6th June 2013
Final Report Issued: 9th July 2013**

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of IT Business Continuity was identified for review as part of the agreed Audit Plan for 2012/13.

2. BACKGROUND INFORMATION

- 2.1. Service Continuity in the context of this review is 'business continuity'. As with all IT strategies, the Council makes the decisions which decide what parts of its business are priorities and the IT provision required to support the continuity of the business.
 - 2.2. Although distinct, the business continuity arrangements have been examined alongside disaster recovery planning as both determine the IT service continuity requirements.
 - 2.3. The Council's ICT provision is currently operated as Shared Service with Allerdale Borough Council. This review was carried out as a joint appraisal by Cumbria County Council (acting on behalf of Carlisle City Council) and Allerdale Borough Council.
 - 2.4. IT continuity planning is the process that ensures continuous operations of business applications and supporting IT systems (i.e., desktops, servers, applications, printers, network devices etc.).
 - 2.5. Industry best practice advocates that IT continuity planning should be a subset of enterprise business continuity planning.
 - 2.6. A Business Continuity Plan (BCP) is an enterprise-wide group of processes and instructions to ensure the continuation of business processes in the event of an interruption. It provides the plans for the enterprise to recover from minor incidents (e.g., localised disruptions of business components) to major disruptions (e.g., fire, natural disasters, extended power failures, equipment and/or telecommunications failure).
 - 2.7. An IT Continuity Plan (ITCP) addresses the IT exposures and solutions based on the priorities and framework of the Business Continuity Plan.
- How this review assists the Council to achieve its goals
- 2.8. Provides the Council with an evaluation of the IT function's preparedness in the event of a process disruption.
 - 2.9. Identifies issues that may limit interim business processing and restoration of same.
 - 2.10. Provides an independent assessment relating to the effectiveness of the ITCP and its alignment with the corporate BCP.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
 - A Continuity Framework and Policy has been developed.
 - Business recovery needs and the drivers for development of an IT Continuity Plan (ITCP) plan have been identified
 - An ITCP has been established to reflect the Corporate Business Continuity Plan (BCP)

Section 1 – Management Summary

- The ITCP is complete and addresses the business continuity requirements defined in the BCP.

- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to IT Business Continuity and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 3.4. This review has been performed in accordance with ISACA (previously known as the Information Systems Audit and Control Association) audit and assurance standards.

Scope Limitations

- 3.5. A full assessment of the Council's Business Continuity (BC) arrangements relies on the existence of both a Business and an IT Continuity Plan.
- 3.6. The IT BC arrangements are considered only from a Carlisle City Council perspective.
- 3.7. The recommendation made in Report RD.52.12 - Improvements to the Provision of ICT Services was approved by the Council Executive towards the end of this review (19/11/2012). The implications of this decision on the Council's IT Continuity Planning have not been assessed and may need to be followed up in a separate review.
- 3.8. Policy, standards and guidelines related to and implementation of the business continuity plan are outside the scope of this review.

Standards and best practice guides considered as part of this review

The following external standards were considered during the undertaking of this review:

- ISACA IT Continuity Planning Audit/Assurance Program;
- ISACA IT Assurance Framework (ITAF)
- Control Objectives for Information and Related Technology (COBIT)
- Committee of Sponsoring Organizations of the Treadway Commission (COSO)

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.

Section 1 – Management Summary

Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within IT Business Continuity provide **Partial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Continuity Framework and Policy	Reasonable			2
7.2	Business Assessment of Contingency Planning Arrangements	-			
7.3	Integration of Business Continuity and IT Continuity Plans	Reasonable		1	
7.4	IT Continuity Plan	Partial		5	2
Overall Evaluation / No. of Recommendations		Partial		6	4

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **Partial** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- The Council has established a business continuity management team to maintain the business continuity process and the business continuity function includes representatives from affected business areas.
 - BCP team member roles and responsibilities have been assigned at an appropriate level of authority to carry out responsibilities and the team has appropriate executive sponsors.
 - The Council has utilised risk analysis to determine the Business Continuity (BC) strategy and recovery plans.
 - The Council has developed a corporate-wide Business Continuity Plan (BCP).
 - Some essential components of IT continuity planning are in place. For example, IT maintains details of the network configuration and a database of hardware assets. Backups are stored at an offsite location and a suitable recovery site has been identified which incorporates active links to the corporate voice and data network.
 - The Council also has access to mobile phones, radios and satellite phones to provide backup communications.

Section 1 – Management Summary

- Additional network resilience has been achieved by creating new high speed data links between Carlisle, Whitehaven and Workington.
- The implementation of a virtualised server environment has greatly enhanced the availability of critical applications and data.

6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.

6.4. The key issues arising from this review are:

- The ICT Service acknowledged during the audit that the lack of an IT Continuity Plan and IT Recovery Plan is a significant issue. As a result, they have already begun making the necessary steps to put a project team together to address these concerns and other matters raised in this report.

Whilst some essential components of IT continuity planning have been identified, the Council does not possess a comprehensive IT Continuity and Recovery Plan to address the Business Continuity requirements of the corporate BCP. The consequence of this is that the Council does not possess a formal roadmap to maintain adequate business operations and service levels with diminished IT resources following a disaster.

- The recovery of critical IT systems is fundamental to the restoration of Council business and services following a major outage or disaster. However, applications which are critical to the Council's business have not been identified. The Council needs to assess the impact which the absence or unavailability of key applications would have on the business and use this information to define Recovery Time Objectives (RTO's) and Recovery Point Objectives (RPO's) for each application. RTO's and RPO's should be used as a baseline to construct a prioritised recovery strategy which supports the immediate needs of the business following a disaster.
- There is a perception that the experience and knowledge gained during the flood of 2005 would enable IT to successfully recover the IT environment following any future disaster. However, the current IT continuity arrangements place an over reliance on the availability and knowledge of the Council's existing ICT personnel. The unavailability of key IT personnel and the lack of formal IT continuity and recovery documentation have the potential to jeopardise the recovery of the Council's IT environment in a disaster situation.
- The ICT team possess some recovery procedures which, if extended, have the potential to provide a foundation for an effective IT continuity and recovery plan. However, in their current form, it is questionable if the procedures are detailed enough to allow non-corporate IT personnel to carry out the same tasks efficiently if required to do so in a recovery situation.
- The effectiveness of disaster recovery plans relies on the documented results and outcomes of tests and the Council needs to ensure that an effective maintenance and testing schedule is incorporated into an IT Continuity Plan. Test schedules should be based on the established recovery priorities and must include the recovery of critical business application processing and not be limited to a recovery of the infrastructure. IT continuity tests should be conducted on a regular basis or after major changes in the IT infrastructure or to the business and related applications. Where testing is not feasible or may impact on on-going business, the Council needs to evaluate an alternative means for ensuring resources for business continuity.

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
ICT Shared Services Manager (Resources Directorate)	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
ICT Team Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
ICT Lead Officer	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Policy and Performance Officer (Chief Executives Team).	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.

Other recipients of the final report:

Director of Resources	Report to be noted.
Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22nd July 2013.

RESOURCES DIRECTORATE

Audit of IT Business Continuity (2012/13)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	The BCP does not include the date of acceptance or date of review.	The Corporate BCP should show the date of acceptance or date of review on the front cover.	Difficult to manage version control of the document.	C	Incorporate a date of acceptance and review date on the front cover of the Corporate BCP.	Policy & Communications Officer	31.3.2014
R2	The BCP revision history does not include details of revisions made to the plan.	The Corporate BCP revision history should include details of the revisions made.	A full audit trail does not exist for changes made to the document.	C	Incorporate the revision history within the Corporate BCP.	Policy & Communications Officer	31.3.2014
R3	A formal IT Continuity Plan does not exist	Recovery of IT systems is fundamental to the restoration of Council business and services. Therefore, IT Continuity arrangements should be documented in a separate IT Continuity Plan which supplements and addresses the requirements of the BCP.	Lack of a formal roadmap for recovery of IT operations in the event of a disaster.	B	Interim IT CP has now been created with copies held in secure locations. Integrate existing individual systems documentation: application, infrastructure & security instructions into chronological order within an ITCP.	ICT Lead Officer	31.3.2014

APPENDIX B

R4	Critical steps required to recover the communications environment do not exist.	Critical steps for recovering the communications environment should be documented in an ITCP and Recovery Document.	Steps required to recover communications are not recorded. Lack of documentation places a reliance on the knowledge of key IT staff that may not be available in a recovery situation.	B	Integrate the existing CISCO call manager instructions into the ITCP & recovery documentation. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R5	An inventory list of telecommunications equipment required by critical applications does not exist	Create an inventory list of telecommunications equipment required by critical applications	An overall hardware inventory exists but this would provide a useful recovery document and aid compliance with industry best practice.	C	Incorporate the existing telecommunications inventory lists into the ITCP. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R6	An inventory list of hardware required by critical applications does not exist	Create a hardware requirements inventory list for critical applications.	An overall hardware inventory exists but this would provide a useful recovery document and aid compliance with industry best practice.	C	Incorporate the existing hardware inventory lists into the ITCP. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R7	A list of critical applications and their dependencies does not exist.	A list of critical applications, systems they depend on and vendor information should be defined. This list should identify: <ul style="list-style-type: none"> The prioritisation of applications to be recovered. The system (server etc.) on which each application is loaded and running, and the physical location of that 	Possible indecision or confusion over recovery priorities. Lack of documentation places a reliance on the knowledge of key IT staff that may not be available in a recovery situation. The non-availability of a critical system will have an impact on the overall	B	Discuss and agree with the organisation & critical application & system restoration priorities. Incorporate the agreed priorities into the ITCP. This will include:	ICT Lead Officer (with the Policy & Communications Officer)	31.3.2014

		<p>system.</p> <ul style="list-style-type: none"> Operating system Release, version level, etc. Service pack level, etc. Serial number (if any) Platform Vendor contact info Key user details Links to system documentation <p>This information should be reviewed annually.</p> <p>In addition:-</p> <ul style="list-style-type: none"> Recovery Time Objectives (RTO's) should also be established for all critical applications and systems. Recovery Point Objectives (RPO's) should be established for all critical applications to provide guidelines for the time required to restore or provide interim services and existing backup regimes should be assessed to confirm that they can meet the chosen RPO. Procedures to address the recovery of data lost between the last backup 	<p>service RTO.</p> <p>Backup schedules may not reflect the tolerable data loss for the service.</p> <p>Data transactions which have occurred between the last backup and a disaster are lost.</p> <p>No documented strategy for the recovery of critical applications.</p> <p>Lack of documentation places over-reliance on knowledge and experience of IT personnel who may not be available following a disaster.</p>	<ul style="list-style-type: none"> The prioritisation of applications to be recovered. The system (server etc.) on which each application is loaded and running, and the physical location of that system. Operating system Release, version level, service pack level, etc. Serial number (if any) Platform Vendor contact info Key user details Links to system documentation <p>RTO's to be agreed with the organisation for critical applications aligned to ICT system restore / recovery times</p> <p>Strategy / procedures to recover data lost between time of</p>	
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APPENDIX B

R8	<p>and the time of disaster should be developed and documented. For example, the use of virtual server snapshots, migration or failover and other traditional backup methods.</p> <p>A recovery strategy should be defined for each critical application. This should include a recovery job schedule to show the recovery sequence of the applications and tie in with the RTO's and RPO's defined by the Council.</p>	<p>Non-compliance with Disaster Recovery best practice.</p> <p>Over reliance on the knowledge of existing staff who may not be available following a disaster.</p> <p>Difficult for external IT contractors to assist with a recovery effort in the absence of key corporate IT staff.</p> <p>Recovery of key applications and systems is jeopardised.</p>	B	<p>incident and last backup to be discussed and agreed with the Council. Each application to have a recovery strategy which will include recovery sequence of the application aligned to agreed RTO's and RPO's defined by the Council.</p> <p>(Contained within interim IT CP)</p>	<p>Incorporate the existing computer room documentation into a formal IT recovery plan to include sufficient detail to allow non Council ICT professionals to implement.</p> <p>Procedures to include:</p> <ul style="list-style-type: none"> • IT environment overview (interfaces and functionality) • Recovery overview • Recovery 	<p>ICT Lead Officer</p>	<p>31.3.2014</p>
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APPENDIX B

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APPENDIX B

					telecommunication s, power and platform outages Arrangements for the immediate deployment of technical personnel in the event that primary personnel are not available (Information contained within the interim IT CP will allow for recovery of services whilst recommendation is implemented)		
R9	Maintenance aspects must be incorporated into any future ITCP.	<p>The following maintenance aspects should be incorporated into any future ITCP:</p> <ul style="list-style-type: none"> The plan should be maintained through inclusion in the systems development methodology, routine review of plan components and linkage to BCP reviews and enhancements. The ITCP should be reviewed as part of all 	<p>The ITCP is not kept in line with business and system developments.</p> <p>The ITCP does not comply with industry best practice.</p>	B	<p>Design, incorporate and implement a maintenance schedule to be incorporated into the ITCP. The plan to be maintained through inclusion in systems development methodology, routine review and to be directly aligned to BCP reviews and enhancements. To be reviewed on each occasion of system and application</p>	<p>ICT Team Manager</p> <p>ICT Lead Officer</p>	31.3.2014

APPENDIX B

		applications and systems enhancements				enhancement. This will be included in the D & IS change management procedures currently being developed and introduced.		
R10	A testing regime must be incorporated into any future ITCP.	<p>A testing regime should be incorporated into any future ITCP:</p> <ul style="list-style-type: none">• The plan should be tested regularly and the tests should include a comprehensive verification of continuity processes and situational drills to test the assumptions and alternate procedures within the plan• Stress Testing - The ITCP tests should utilise situational drills where resources are not available for the test, or the circumstances of the test are modified unannounced to verify the recovery team's ability to adapt to unplanned situations.• Analysis of Test Results<ul style="list-style-type: none">- The results from the	<p>The effectiveness of the plan has not been proved.</p> <p>The ITCP does not comply with industry best practice.</p>	B	<p>A testing regime to be incorporated into the ITCP incorporating the following points / recommendations:</p> <ul style="list-style-type: none">• Regular testing• Stress testing <p>Review, analysis and communication of test results including BCP revision points.</p> <ul style="list-style-type: none">• Testing of Recovery service levels to ensure compliance with BCP RTO's & RPO's according to BCP requirement.• Frequency test schedule.	ICT Lead Officer	31.3.2014	

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					<p>plan tests should be analysed to identify issues that require BCP revision, additional training or additional resources.</p> <ul style="list-style-type: none">• Testing of Recovery Service Levels - Plan testing should include verification that the tests were completed within the intervals established in the BCP i.e. RTO's and RPO's, etc.• Test Frequency - The ITCP should be tested routinely, according to the policy, and the tests address the requirements within the BCP.				
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Report to Audit Committee

Agenda
Item:

A.8

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD30/13

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2013/14, was received by the Executive on 5 August 2013. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms. The Committee is otherwise asked to note the report.

Recommendations:

That the report be noted

Tracking

Executive:	5 August 2013
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Report to Executive

Agenda
Item:

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD30/13

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received and the Prudential Indicators noted as at the end of June 2013.

Tracking

Executive:	5 August 2013
Audit Committee:	26 September 2013
Council:	Not applicable

1. BACKGROUND

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April 2013 – June 2013

- **Appendix A1** – Treasury Transactions April to June 2013
- **Appendix A2** – Investment Transactions April to June 2013
- **Appendix A3** – Outstanding Investments at June 2013

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2013/14

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. CONSULTATION

2.1 Consultation to Date:
None.

2.2 Consultation proposed:
None.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2013.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:
Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Indicators

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**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

Local Environment – not applicable

Resources - Included in the report

TREASURY TRANSACTIONS
APRIL to JUNE 2013

1. LOANS (DEBT)

1.1 Transactions April to June 2013

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0		0	0
Local Bonds	0		0	0
Short Term Loans	0		0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. There have been no transactions in the period. New procedures have been put in place to map the cash flow more accurately to enable better forecasting and to limit the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at end of June 2013

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	15,013,300

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at end June 2013	0	0	13,300
			13,300

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	37,230,000	1.10-0.37	32,805,000	0.37-3.00
	37,230,000		32,805,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2013. The average return achieved on investments as at the end of June was 0.98%.

3 REVENUES COLLECTED

To: June 2013		Collected £	% of Amount Collectable %
2013/14	Council Tax NNDR	14,364,412 14,004,237	29.50 33.18
Total		28,368,649	31.21
2012/13	Council Tax NNDR	14,130,535 13,977,288	29.86 34.12
Total		28,107,823	31.73
2011/12	Council Tax NNDR	14,135,393 12,690,688	29.90 32.50
Total		26,826,081	31.41

Collection levels have been fairly stable in each of the past three years.

4 BANK BALANCE

At end of June 2013 £144,922.16 in hand.

This simply records the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS
TO END OF JUNE 2013
 April –June 2013

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(118)	(87)	31
Interest Payable	190	189	(1)
Less Rechargeable	0	0	0
	190	189	(1)
Principal Repaid	0	0	0
Debt Management	15	12	(3)
NET BALANCE	87	114	27

The estimate column is the profiled budget to end of June 2013.

Most budget heads are performing very much in line with the original estimate.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2013

INVESTMENTS MADE		INVESTMENTS REPAYD	
	£		£
Barclays	4,000,000.00	Nationwide	1,000,000.00
Nationwide	2,000,000.00	Bank of Scotland	1,000,000.00
HSBC	700,000.00	Prime Rate	70,000.00
Nationwide	1,000,000.00	Prime Rate	950,000.00
HSBC	290,000.00	Prime Rate	1,350,000.00
HSBC	350,000.00	HSBC	1,000,000.00
Cumberland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Prime Rate	1,385,000.00
HSBC	480,000.00	Prime Rate	220,000.00
HSBC	440,000.00	Royal Bank of Scotland	2,000,000.00
Prime Rate	870,000.00	Ignis	50,000.00
Prime Rate	1,500,000.00	Prime Rate	2,460,000.00
Prime Rate	3,500,000.00	Ignis	1,820,000.00
HSBC	2,500,000.00	Prime Rate	135,000.00
Prime Rate	445,000.00	Prime Rate	190,000.00
Royal Bank of Scotland	2,000,000.00	HSBC	2,475,000.00
Ignis	1,870,000.00	Cumberland B Soc	1,000,000.00
Prime Rate	445,000.00	HSBC	25,000.00
Royal Bank of Scotland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Barclays	120,000.00
HSBC	520,000.00	Bank of Scotland	1,000,000.00
Prime Rate	1,450,000.00	Royal Bank of Scotland	1,000,000.00
HSBC	3,480,000.00	Prime Rate	540,000.00
Barclays	120,000.00	Prime Rate	15,000.00
Prime Rate	515,000.00	Prime Rate	765,000.00
Prime Rate	755,000.00	Royal Bank of Scotland	1,000,000.00
Ignis	3,000,000.00	Prime Rate	340,000.00
Royal Bank of Scotland	1,000,000.00	Ignis	3,000,000.00
		Prime Rate	1,060,000.00
		HSBC	220,000.00
		HSBC	3,615,000.00
TOTAL	37,230,000		32,805,000
		Bfwd	18,740,000
		Paid	37,230,000
		Repaid	32,805,000
		Total	23,165,000

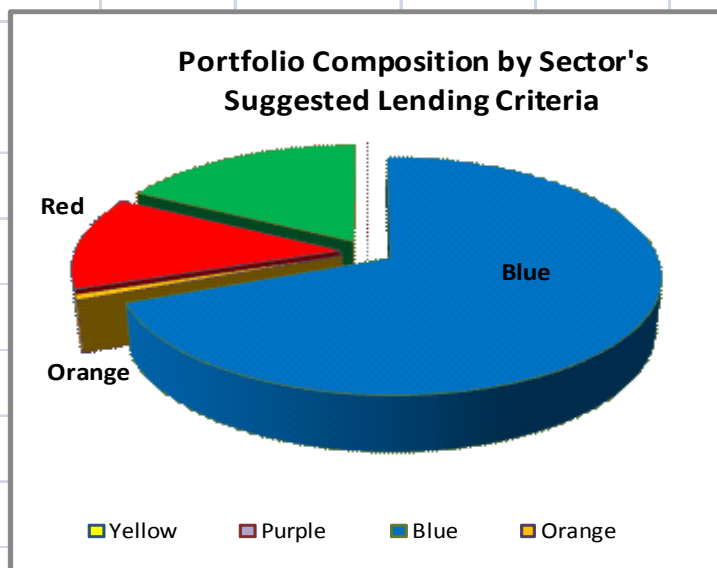
Outstanding Investments as at 30 June 2013							
Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
G	Barclays Bank	4,000,000	0.65%		Call		
O	HSBC	165,000	0.50%		Call		
B	Bank of Scotland	1,000,000	2.85%	02/08/2012	02/08/2013	365	28,500
B	Royal Bank of Scotland	2,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	2,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	1.75%	05/10/2012	04/10/2013	364	17,452
R	Nationwide Building Society	1,000,000	0.61%	04/04/2013	19/12/2013	259	4,328
R	Nationwide Building Society	2,000,000	0.63%	02/04/2013	02/01/2014	275	9,493
B	Bank of Scotland	1,000,000	1.10%	04/01/2013	03/01/2014	364	10,970
B	Bank of Scotland	1,000,000	1.10%	13/02/2013	14/02/2014	366	11,030
B	Bank of Scotland	1,000,000	1.10%	25/03/2013	28/03/2014	368	11,090
B	Bank of Scotland	1,000,000	1.10%	27/03/2013	28/03/2014	90	2,712
B	Bank of Scotland	1,000,000	1.10%	28/03/2013	28/03/2014	95	2,863
B	Bank of Scotland	1,000,000	1.10%	11/04/2013	10/04/2014	364	10,970
B	Bank of Scotland	1,000,000	1.05%	30/05/2013	30/05/2014	365	10,500
	Total Investments	£23,165,000	0.98%			233	£119,909

N.B Interest is recognised in the appropriate financial year in which it is due.

Investments Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Dats to Maturity from Execution	Weighted Average Risk				
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Risk Score for Colour (1 = Low, 7 = High)	Jun 2013	Mar 2013	Dec 2012	Sep 2012
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	0	0	1	0.0	0.0	0.0	0.0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0	2	0.0	0.0	0.0	0.0
Blue	69.07%	16,000,000	43.75%	7,000,000	30.22%	1.13%	164	246	3	2.1	2.6	2.1	2.1
Orange	0.71%	165,000	100.00%	165,000	0.71%	0.50%	0	0	4	0.0	0.4	0.0	0.0
Red	12.95%	3,000,000	0.00%	-	0.00%	0.62%	181	270	5	0.6	0.3	0.0	0.0
Green	17.27%	4,000,000	100.00%	4,000,000	17.27%	0.65%	0	0	6	1.0	0.0	1.0	1.0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0	7	0.0	0.0	0.6	0.6
	100.00%	23,165,000	48.20%	11,165,000	48.20%	0.98%	137	205		3.8	3.2	3.8	3.8

	Sector's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk
Score 3.5 3.5 3.5 3.5

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix C2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2013/14 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2013/14 to date as detailed in the Treasury Management Strategy Statement for 2013/14.

(a) Affordability

	2013/14 Original Estimate £	2013/14 Revised Estimate £
(i) Capital Expenditure	7,780,000	4,655,200
(ii) Financing Costs Total Financing Costs	845,959	845,959
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,454,000	13,454,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	6.29%	6.29%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	0.56	0.56
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	37,600,000	37,600,000
	15,013,300	15,013,300
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2013/14 Original Estimate £	2013/14 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	32,600,000 15,013,300	32,600,000 15,013,300
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	(5,293,000)	n/a

(b) Prudence and Sustainability

	2013/14 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2013/14 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2013	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2013 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at June 2013 As part of the Investment Strategy for 2013/14, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 91.00%

Report to Audit Committee

Agenda
Item:

A.9

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and Budget Framework
Public / Private Public

Title: CORPORATE RISK MANAGEMENT
Report of: Deputy Chief Executive
Report Number: SD 05/13

Purpose / Summary:

The purpose of this report is to update Members on the Council's risk management arrangements.

Recommendations:

The Committee is asked to:

- (i) Note the contents of the report as an indication of the continuing commitment to and culture of sound governance arrangements for corporate risk management;
- (ii) Agree to receive reports on the effective development and operation of risk management on a six monthly basis.

Tracking

Audit Committee	26 September 2013
Executive	Not applicable
Council	Not applicable

1. BACKGROUND

- 1.1 In accordance with the Council's Constitution, the Audit Committee is responsible for providing an independent assurance of the adequacy of the risk management framework and the associated control environment and to monitor the effective development and operation of risk management and corporate governance in the Council.
- 1.2 The Resources Overview and Scrutiny Panel is responsible for the effective monitoring of the risks identified within the Council's Corporate Risk Register and for providing an adequate challenge to the Executive on the controls put in place to mitigate the risk to the Council whether this be financial, reputational, or operational.

2. RISK MANAGEMENT AND CONTROL ENVIRONMENT

- 2.1 The Council has a Risk Management Policy which describes the Council's approach to risk, defines the roles and responsibilities within the Authority for risk management and shows how the Council will analyse risk and the criteria currently in use. A Risk Management Strategy describes how the policy will be put into practice and how performance is measured and evaluated. The Policy and associated documents are available through a dedicated page on the Council's internet service.
- 2.2 The Corporate Risk Management group is responsible for monitoring the effective delivery of the strategy; chaired by the Deputy Chief Executive, this group is made up of senior officers and the Portfolio Holder for Finance, Governance and Resources. It meets on a quarterly basis to review the Corporate Risk Register and any significant /strategic risks identified in delivering the Council's objectives including the key priorities in the Carlisle Plan. It also monitors any significant risks contained within Directorate/Service Operational Risk Registers.
- 2.3 It is the responsibility of each Director to ensure that these operational risk registers are maintained for their services and to highlight any significant risk to the Corporate Risk management Group.
- 2.4 The Internal Audit Service provides a further assurance process, whereby any risks identified through audit reviews are reported to the Risk Management Group for inclusion in the Corporate Risk Register and/or Operational Risk Registers as appropriate.

3. CORPORATE RISK REGISTER

3.1 The Corporate Risk Register has been amended in line with the priorities contained within the Carlisle Plan 2013/16 and currently includes eight corporate risks:

- Asset Business Plan – Disposal Strategy
- Asset Business Plan – Acquisition Strategy
- Delivering service objectives
- Income targets
- Addressing Carlisle's current and future housing needs
- Housing needs of vulnerable groups
- Workforce planning
- Improving Industrial estate performance

These risks are considered to be the significant risks in achieving the City Council's objectives for 2013/14. Each risk has been scored in accordance with the Council's risk matrix (in which the likelihood of any risk materialising is balanced against its potential impact) and mitigating actions identified for inclusion in the risk register which will be considered and scrutinised by ROSP at their meeting on 10th October 2013.

3.2 Even with a sensible, reasonable and prudent approach to mitigation, the City Council is unable to eliminate risk completely and will be left with a residual risk. Such risk can be deleted from the Corporate Risk Register once the mitigating action has reduced the risk to an acceptable target level but they will continue to be monitored at service level via operational risk registers and, should the need arise, they may be escalated back on to the Corporate Risk Register.

3.3 There have been no risks identified through internal audit reviews which need to be brought to Members' attention at this time.

4. CONSULTATION

4.1 Corporate Risk Management Group – 2nd September 2013
Resources Overview & Scrutiny Panel – 10th October 2013

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

5.1 The Committee is asked to:

- (i) Note the contents of the report as an indication of the continuing commitment to and culture of sound governance arrangements for corporate risk management;

- (ii) Agree to receive reports on the effective development and operation of risk management on a six monthly basis.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 The key risks in delivering the priorities in the Carlisle Plan have been identified and analysed along with the actions/resources that will be required to mitigate these risks. These risks are contained in the Corporate Risk Register and are reviewed regularly by the Corporate Risk Management Group.

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**Appendices
attached to report:**

**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**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – To ensure that the Council's risk management arrangements are monitored effectively.

Community Engagement – not applicable

Economic Development – not applicable

Governance – Management of corporate risks is an intrinsic part of good corporate governance. Officers and Members need to be satisfied that appropriate mechanisms are in place to capture and react to identify risks. The terms of reference for the Audit Committee state that it is to provide independent assurance of the adequacy of the risk management framework and the associated control framework.

Local Environment – not applicable

Resources – To comply with proper arrangements for effective risk management and corporate governance within the Council.