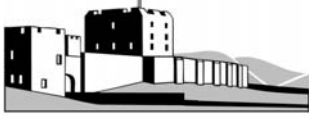


# AUDIT COMMITTEE

CARLISLE  
CITY COUNCIL



[www.carlisle.gov.uk](http://www.carlisle.gov.uk)

## *Committee Report*

**Public**

**Date of Meeting:** 12 July 2012

**Title:** STATEMENT OF ACCOUNTS 2011/12

**Report of:** Director of Resources

**Report reference:** RD 21/12

### **Summary:**

The Council's Statement of Accounts 2011/12 (subject to Audit) have been certified by the S.151 Officer in accordance with Statutory requirements by 30 June 2012. They will now be subject to audit, which must be concluded by the statutory deadline of 30 September 2012. Key issues included within the 2011/12 Statements are highlighted within the report for Members attention.

### **Recommendations:**

- (i) The Committee is asked to note the 2011/12 Statement of Accounts and that they will now be subject to audit.
- (ii) That the Annual Governance Statement be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2011.

**Contact Officer:** Steven Tickner

**Ext:** 7280

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

CITY OF CARLISLE

To: The Audit Committee  
12 July 2012

RD 21/12

**STATEMENT OF ACCOUNTS 2011/12**

**1. BACKGROUND INFORMATION AND OPTIONS**

- 1.1 The Accounts and Audit Regulations 2011 require that the City Council's Statement of Accounts for 2011/12 be certified by the Council's S.151 Officer by 30 June 2012.
- 1.2 The Statements reflect the summarised financial out-turn information which was recently considered by the Executive and Resources Overview and Scrutiny Panel. To a large extent the format of the Statement of Accounts is prescribed and is therefore presented in a different format from the internal out-turn reports.
- 1.3 The Statements presented are subject to the formal audit process, which will commence on 1 July, and must be completed by 30 September. The auditors will identify any material changes required to the Statements and they will also produce an ISA+260 Statement (Annual Governance Report) which details any unadjusted misstatements found during the course of the audit. Both of these need to be considered by 'those charged with governance', which in respect of the Statements, is the Audit Committee.
- 1.4 Internal Audit carries out annual audits of the authority's business critical systems. This provides the assurances that the information used to prepare the Statement of Accounts is accurate and relevant.

**2. OUT-TURN REPORTS**

The Revenue and Capital Provisional Out-turn reports have recently been considered by the Executive and Resources Overview and Scrutiny Panel.

As mentioned above, the Statement of Accounts are based upon these final out-turn figures. However, because of the different way in which the Accounts must be produced, it is very difficult to see the out-turn figures within the Income and Expenditure Account. A reconciliation between the out-turn figures and the net operating expenditure on the Income and Expenditure Account has been prepared and is attached at **Appendix 1** for information.

### 3. CHANGES ARISING FROM THE 2011 CODE OF PRACTICE

- 3.1 At the Audit Committee meetings of the 13 January 2012 and 16 April 2012 the Director of Resources reported that changes would be required to the accounts for 2011/12. The main change that is required for these accounts is the need to bring the Council's Heritage Assets onto the Balance Sheet.

### 4. KEY ISSUES

- 4.1 As part of the Council's training programme, a training session is programmed for 9 July to 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, i.e. what the main statements show, and the kinds of questions Members may wish to consider.
- 4.2 The Annual Governance Statement forms part of the Annual Statement of Accounts as presented at **Appendix 2**. It is a requirement of the 2011 Code that the Annual Governance Statement be considered and approved separately.

#### 4.3 Significant issues

Key issues within the Statement of Accounts to which Members attention is drawn are as follows:

##### 4.3.1 Comprehensive Income & Expenditure Statement (CIES)

These statements summarise the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day to day expenses and related income on an accruals basis. The main items of note are as follows:

**Cost of Services** – an increase of £4.915m over the previous year. The majority can be explained as a result of downward revaluations being charged to the CIES services (£2.750million). Financing and Investment Income and Expenditure has swung from a £2.739million surplus to a £1.892million deficit ( a movement of £4.631million) again as a result of downward revaluation of £3.295million for investment property assets. Taxation and Non specific grant income has also reduced from £21.432million to £15.523million primarily as a result of much lower capital grants being received (£3.781million in 2010/11 and £853,000 in 2011/12) and reductions in Revenue Support Grant and Redistributed NNDR (£10.372million in 2010/11 and £7.028million in 2011/12). All these factors have meant that the

Surplus or Deficit on Provision of Services has moved from a £6.469million surplus in 2010/11 to a £8.520million deficit in 2011/12.

This is not a cause for concern, as the reductions in income were budgeted for and the revaluation losses are a notional charge to the CIES and are reversed out in the Movement of Reserves Statement and are shown in the Balance sheet in either the Revaluation Reserve or the Capital Adjustment Account, both of which are technical accounting reserves and not cash-backed reserves.

#### 4.3.2 **Balance Sheet**

The balance sheet records all of the Council's assets and liabilities as at 31 March 2012. Overall, the Council's Net Worth on its Balance Sheet has decreased from £142million in 2010/11 (restated for Heritage assets) to £129million in 2011/12. However, this can be explained by the movement (£5.6million) on the Pension Fund valuation which is a notional entry and is held both as a liability and a reserve. The downward revaluation of assets of £6.045million has also impacted on the Council's net worth.

Revenue reserves have decreased, however this was budgeted for. The provisional outturn presented to Executive on 1 June highlighted an under spend of £369,000 after a transfer to the Transformation Reserve of £250,000. Carry forward requests into 2012/13 total £357,500. However, late adjustments totalling £273,782 (including the transfer to reserves of £250,000) have adjusted the final outturn position to an over spend of £11,500. Details of the late adjustments can be found in Appendix 1.

**Long Term Assets** – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2012 is £167m (Restated March 2011 £174m).

**Current Assets** – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2012 and short-term investments. Investments have decreased by £3m over the year and the Council currently has £15.1m invested in a variety of banks and building societies. Cash and Cash Equivalents have decreased by £1.6million, but this is as a result of the position of the Council's bank balance as at 31 March.

**Current liabilities** – this is the amount of money owed by the Council to its suppliers and contractors which totalled £3.7million as at 31 March 2012 (£7.6million as at 31 March 2011). In 2010/11 creditors were included for Rent

Allowances (£1.6million) and the final creditor payment run of the year (£1.4million) that are not required in 2011/12.

**Long term liabilities** – this section is made up of several different items. Long term borrowing and the value of the pension liability makes up approximately 97% of the total. Long term borrowing (£15m) remains fairly static over the year as the Council has no need to undertake any prudential borrowing due to the level of capital receipts generated. The Pension Liability amounts to £35.678million as at March 2012 (£30.005million March 2011). This is the value placed on the Council liability by the Pension Fund Actuary and is offset in the balance sheet by a corresponding credit on the Pension Reserve.

**Financed by** – the total of all the items within this section is the value of the net worth of the Council. It shows the reserves and balances held as at 31 March 2012.

## **5. CONSULTATION**

5.1 Consultation to Date.  
None

5.2 Consultation proposed.

Notice has been given in the local press for any interested person to inspect, and make copies of the accounts of the Council for the year ended 31 March 2012 and certain documents (comprising books, deeds, contracts, bills, vouchers and receipts) between 2 July and 29 July 2012. Interested persons will also be able to question the Auditor about the accounts and make objections to the same with effect from 30 August 2012 (s15 date) until the completion of the audit.

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

## **6. RECOMMENDATIONS**

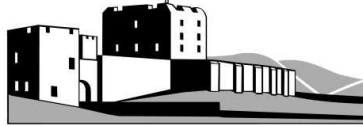
- (i) The Committee is asked to note the 2011/12 Statement of Accounts and that they will now be subject to audit.
- (ii) That the Annual Governance Statement be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2012.

PETER MASON  
Director of Resources

**APPENDIX 1**

Item	£	£
<b>Provisional Out-turn reported to Executive 1 June 2012</b>		<b>14,982,741</b>
Late adjustments to Outturn		
Transfer to Transformation Reserve	250,000	
Costs of Disposal in Revenue funded from Capital Receipts	(17,221)	
Car Parking Debtor	(8,008)	
ICT Shared Service	12,854	
Commitments	(244)	
Waste Recycling	36,400	
<b>Total Adjustments</b>		<b>273,782</b>
<b>Final Out-turn</b>		<b>15,256,523</b>
Capital Receipts generated on the disposal of assets		(2,005,288)
Costs of Disposal Credited back to General Fund		17,221
Net book value of disposals written out of balance sheet		1,430,195
Parish Precepts		437,780
Actuary Reports on Pension Costs (IAS19)		
- Expected return on pension assets	(5,666,000)	
- Interest Costs	6,745,000	1,079,000
Net changes re IAS19 current and past service costs		(749,549)
Depreciation and Revaluation Charges		5,516,759
Change in Fair Value of Investment Properties		3,294,535
Capital Expenditure on revenue expenditure funded from capital under statute (assets not owned by the Council) chargeable to the I&E account less grants and contributions received towards these costs		170,525
Minimum Revenue Provision		(278,107)
Direct Revenue Financing		(287,177)
Movement on Employee Benefit Reserve		5,221
Capital Government Grants and Contributions, credited to the I&E account		(852,830)
Transfers to earmarked reserves shown elsewhere		
- Lanes Capital Fund	(14,900)	
- Transformation Reserve	(250,000)	
- Cremator Reserve	(69,400)	
- Job Evaluation Reserve	43,300	(291,000)
Housing Planning Delivery Grant , Council Tax Freeze grant, New Homes Bonus (shown as a funding source)		446,462
Financing from RSG/Council Tax/NNDR		(14,670,241)
<b>Surplus/Deficit on Provision of Services on the CIES</b>		<b>8,520,029</b>

**CARLISLE  
CITY COUNCIL**



[www.carlisle.gov.uk](http://www.carlisle.gov.uk)

**SINGLE ENTITY**

**DRAFT STATEMENT OF ACCOUNTS**

**SUBJECT TO AUDIT**

**2011/12**

# STATEMENT OF ACCOUNTS

2011/12

## CONTENTS

Section		Page
1.	Foreword	1
2.	Statement of Responsibilities for the Statement of Accounts	7
3.	Financial Statements:	
	Movement in Reserves Statement	8
	Comprehensive Income and Expenditure Statement	10
	Balance Sheet	11
	Cash Flow Statement	13
4.	Notes to the Financial Statements (including Accounting Policies)	14
5.	Supplementary Financial Statements – Collection Fund	89
6.	Annual Governance Statement	93



## 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 2011/12;
- 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 2012 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.

**(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 2011/12. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 10.

2011/12 Revenue Budget	£000
Approved Budget (Council Resolution - February 2011)	14,214
Carry Forward requests (2010/11 Outturn)	1,108
<b>Revised Budget 2011/12 as at February 2012</b>	<b>15,322</b>
Non-Recurring Expenditure	
Council Tax Freeze Grant	(167)
Transformation Costs (Transformation Reserve)	407
Tullie House (Routledge Reserve)	42
Housing (EEAC Reserve)	(2)
<b>Revised Budget 2011/12</b>	<b>15,602</b>

	Revised Budget £000	Actual £000	Variance £000
Local Environment	4,830	4,602	(228)
Community Engagement	6,641	6,391	(250)
Economic Development	1,700	1,666	(34)
Chief Executives	1,090	1,026	(64)
Resources	48	365	317
Governance	1,293	1,206	(87)
<b>Service Expenditure</b>	<b>15,602</b>	<b>15,256</b>	<b>(346)</b>
Parish Precepts	438	438	0
<b>Total</b>	<b>16,040</b>	<b>15,694</b>	<b>(346)</b>
<b>Transfers from Reserves</b>			
Residents Parking	0	(93)	(93)
Routledge Reserve	(42)	(42)	0
EEAC Reserve	(38)	(38)	0
JE Reserve	(50)	(38)	12
Transformation Reserve	(407)	(407)	0
General Fund Balance	(1,309)	(882)	427
<b>Total Transfer from Reserves</b>	<b>(1,846)</b>	<b>(1,500)</b>	<b>346</b>
Financed by:			
Precept from Collection Fund	(7,147)	(7,147)	0
Council Tax Surplus	(19)	(19)	0
National Non Domestic Rate Pool	(5,369)	(5,369)	0
Revenue Support Grant	(1,659)	(1,659)	0
<b>Total Grants</b>	<b>(14,194)</b>	<b>(14,194)</b>	<b>0</b>
<b>Total</b>	<b>(16,040)</b>	<b>(15,694)</b>	<b>346</b>
<b>Contribution to General Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Council has total usable reserves of £5.224million, of which the total earmarked reserves held by the Council are £2.247million as at 31 March 2012 (£2.741 million at 31 March 2011). Further details can be found at note 4.5. The Council was under spent by £346,000 against the revised budget. This resulted in a lower use of reserves in 2011/12 than expected. However, of the under spend, £357,500 is earmarked for carry forward into 2011/12, resulting in a revised over spend of £11,500.

The Council has other unusable reserves totalling £123.947million at 31 March 2012 (£135.814million at 31 March 2011). 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 2011/12 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 2011/12 was approved at £7.098 million. Overall capital spending for 2011/12, however, totalled £5.317 million, resulting in reprofiling of £1.693million to future years leaving an under spend of £88,000. Expenditure on Highways Claimed Rights capital work of £560,700 was also incurred which was fully funded by £560,700 of income from the County Council. This revises the total expenditure for 2011/12 to £5.878 million. The overall programme can be summarised as follows:

	£000	£000
<b>Revenue Expenditure funded from Capital Under Statute</b>		
Disabled Facilities Grants	1,032	
Highways Claimed Rights	561	
Housing Strategy	87	
Central Plaza Conservation	66	
Environmental Improvements	14	
OPDM Flood Grant	5	
		1,765
<b>Capital Investment on Assets</b>		
Recycling Scheme	12	
Planned Major Repairs	401	
Industrial Estates	172	
Sheepmount (including drainage)	47	
Equipment, Vehicles & Plant	138	
City Council Buildings (including Community Centres)	170	
IT Projects	172	
Revenues & Benefits Shared Service	8	
Families Accommodation Replacement	83	
Historic Quarter	37	
Roman Frontier Gallery	363	
Chances Park	24	
Sub Regional Employment Sites	40	
Play & Multi-Use Games Areas	419	
Resource Centre	1,552	
Strategic Property Purchases	445	
Other Schemes	30	
		4,113
		<b>5,878</b>

The programme has been financed as follows:

	£000
Capital Receipts	1,988
Specified Capital Grant	718
Other Capital Grants and Contributions	1,748
Direct Revenue Financing	287
Reserves	167
Unfinanced Capital Expenditure (See para 1.5(iii))	970
	<b>5,878</b>

#### (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 of FRS17 (Retirement Benefits) in 2004/05 and subsequently IAS 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £35.678m at 31 March 2012.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £35.678m 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) Heritage Assets

The Council has been required by the Code of Practice on Local Authority Accounting 2011/12 to adopt FRS30 Heritage Assets. This requires a change in accounting policy and the restatement of previous years balances to bring all Heritage related assets on to the Council's Balance Sheet. A new accounting policy is included in Note 4.0.11 that details how the Council will treat Heritage Assets in its accounts. Further disclosure notes are shown at Notes 4.33 to 4.36. The adoption of this standard means that as at 31 March 2012, the Council has heritage assets totalling £16.108million shown on its balance sheet.

**(ii) Exceptional Charges to Comprehensive Income and Expenditure Account**

Included in the Comprehensive Income and Expenditure Statement within Services are downward Revaluations totalling £2.750million have also been included in Service expenditure in the Comprehensive Income and Expenditure Statement. There is a significant revaluation for the Community Resource Centre of £2.475million due to the valuation being based upon the peppercorn lease granted for occupation of the building by community groups (as required under the terms of the grant agreement).

Investment properties have also been revalued in line with the Code and this has seen a net reduction in value of £3.295million, primarily due to the revaluation of the Lanes which has resulted from falling rentals.

**(iii) Usable Capital Receipts Set Aside**

During 2007/08, £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 to a negative figure as at 31 March 2008 which in turn reduced the Council's Minimum Revenue Provision (MRP) liability for 2008/09 to nil. There is no balance on the Usable Capital Receipts reserve as at 31 March 2012 with the balance of receipts transferred of £6,198,850 held in the Capital Adjustment Account. The cash from these receipts is held within investments on the balance sheet and is available to fund capital expenditure in 2012/13 and future years. In 2011/12 £970,085.73 was used to fund capital expenditure and this has resulted in the Council's capital financing requirement increasing (Note 4.46).

**(iv) Economic Climate**

The effect of the economic downturn continued in 2011/12 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, especially for capital, 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 2012/13 budget has been set with lower income projections included. This outcome of this can be seen in Note 4.12, where income has reduced from £12.431million in 2010/11 to £11.440million in 2011/12. However, the continued transformation programme has seen expenditure reductions, with employee expenses reducing from £22.165million in 2010/11 to £19.567million in 2011/12.

**1.6 Major Influences on the Authority**

During 2011/12 the Council has continued with its programme of Transformational change in order to make savings and efficiency savings in light of reducing funding levels. Levels of income from Government were severely reduced in 2011/12 with £3,344,000 reduction in Formula Grant settlement, the majority of which (£2.1million) related to the transfer of Concessionary Fares control to the County Council.

**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 2011/12 Code. The changes in 2011/12 to accounting policies relate to changes due to the transition to IFRS outlined above.

**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:

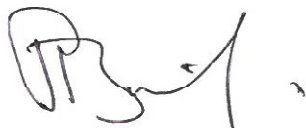
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

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 2012 and its income and expenditure for the year ended 31 March 2012.

Signed:



Date:

29 June 2012

P Mason - Director of Resources

## SECTION 3 – FINANCIAL STATEMENTS

## 3.1 Movement in Reserves Statement

2011/12	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
<b>Balance at 31 March 2011</b>		3,721	2,741	0	20	137	6,619	135,814	142,433
<b>Movement in reserves during 2011/12</b>									
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)
<b>Total Comprehensive Income and Expenditure</b>		<b>(8,520)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,520)</b>	<b>(4,742)</b>	<b>(13,262)</b>
Adjustments between accounting basis and funding basis under regulations	4.4	7,144	0	0	0	(19)	7,125	(7,125)	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>(1,376)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19)</b>	<b>(1,395)</b>	<b>(11,867)</b>	<b>(13,262)</b>
Transfers to/(from) Earmarked Reserves	4.5	494	(494)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>		<b>(882)</b>	<b>(494)</b>	<b>0</b>	<b>0</b>	<b>(19)</b>	<b>(1,395)</b>	<b>(11,867)</b>	<b>(13,262)</b>
<b>Balance at 31 March 2012</b>		<b>2,839</b>	<b>2,247</b>	<b>0</b>	<b>20</b>	<b>118</b>	<b>5,224</b>	<b>123,947</b>	<b>129,171</b>



2010/11 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	Restated Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>		3,800	4,888	0	20	73	8,781	119,244	128,025
<b>Movement in reserves during 2010/11</b>									
Surplus/(deficit) on provision of services (accounting basis)		6,469	0	0	0	0	6,469	0	6,469
Other Comprehensive Income and expenditure		0	0	0	0	0	0	7,939	7,939
<b>Total Comprehensive Income and Expenditure</b>		<b>6,469</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,469</b>	<b>7,939</b>	<b>14,408</b>
Adjustments between accounting basis and funding basis under regulations	4.4	(8,695)	0	0	0	64	(8,631)	8,631	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>(2,226)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>(2,162)</b>	<b>16,570</b>	<b>14,408</b>
Transfers to/(from) Earmarked Reserves	4.5	2,147	(2,147)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>		<b>(79)</b>	<b>(2,147)</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>(2,162)</b>	<b>16,570</b>	<b>14,408</b>
<b>Balance at 31 March 2011</b>		<b>3,721</b>	<b>2,741</b>	<b>0</b>	<b>20</b>	<b>137</b>	<b>6,619</b>	<b>135,814</b>	<b>142,433</b>

### 3.2 Comprehensive Income and Expenditure Statement

2010/11 (Restated)				Note	2011/12		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
11,793	(9,825)	1,968	Central Services to the Public		12,869	(11,474)	1,395
9,698	(2,003)	7,695	Cultural & Related Services		8,158	(1,089)	7,069
7,668	(3,282)	4,386	Environmental & Regulatory Services		8,115	(3,533)	4,582
4,302	(1,540)	2,762	Planning Services		3,359	(1,027)	2,332
7,725	(5,032)	2,693	Highways & Transport Services		3,687	(3,834)	(147)
31,335	(29,227)	2,108	Other Housing Services		36,402	(32,361)	4,041
3,696	(503)	3,193	Corporate & Democratic Core		3,088	(767)	2,321
378	0	378	Non Distributed Costs		807	0	807
(7,698)	0	(7,698)	Exceptional Items (Past Service Pension Gain)		0	0	0
<b>68,897</b>	<b>(51,412)</b>	<b>17,485</b>	<b>Cost of Services</b>		<b>76,485</b>	<b>(54,085)</b>	<b>22,400</b>
443	(223)	220	Other Operating Expenditure	4.8	590	(834)	(244)
14,556	(17,295)	(2,739)	Financing and Investment Income and Expenditure	4.9	17,248	(15,356)	1,892
0	(3)	(3)	Surplus or Deficit of Discontinued Operations	4.26	0	(5)	(5)
0	(21,432)	(21,432)	Taxation and Non-Specific Grant Income	4.10	0	(15,523)	(15,523)
<b>83,896</b>	<b>(90,365)</b>	<b>(6,469)</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>94,323</b>	<b>(85,803)</b>	<b>8,520</b>
		416	Surplus or Deficit on Revaluation of Non Current Assets	4.45a			(603)
		(8,355)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	4.45c			5,345
		<b>(7,939)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>4,742</b>
		<b>(14,408)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>13,262</b>

### 3.3 Balance Sheet

31 March 2010 £000	31 March 2011 £000		Note	31 March 2012	
				£000	£000
		Property, Plant and Equipment	4.29		
		Operational Assets			
196	191	Dwellings			186
37,122	37,365	Other Land & Building			38,175
2,633	2,609	Infrastructure Assets			3,442
3,174	3,445	Community Assets			3,770
8,222	7,203	Vehicles & Plant			5,803
		Non Operational Assets			
685	685	Surplus			582
531	2,840	Assets Under Construction			221
<b>52,563</b>	<b>54,338</b>	<b>Total Property, Plant and Equipment</b>			<b>52,179</b>
99,162	102,033	Investment Property	4.31		98,271
161	218	Intangible Assets	4.32		206
15,368	15,406	Heritage Assets	4.33		16,108
1,022	2,002	Long Term Investments	4.37b		0
		Long Term Debtors	4.37b		
296	264	Transferred Debt - Cumbria County Council			229
91	77	Other Long Term Debtors			63
<b>116,100</b>	<b>120,000</b>				<b>114,877</b>
<b>168,663</b>	<b>174,338</b>	<b>Total Long Term Assets</b>			<b>167,056</b>
		Current Assets			
21,210	18,162	Short Term Investments	4.37b	15,063	
530	530	Assets Held for Sale	4.42	250	
218	179	Inventories	4.38	118	
7,974	5,730	Short Term Debtors	4.40	5,085	
307	98	Payments in Advance		432	
115	1,306	Cash and Cash Equivalents	4.41	0	
<b>30,354</b>	<b>26,005</b>	<b>Total Current Assets</b>			<b>20,948</b>
		Current Liabilities			
0	0	Cash and Cash Equivalents	4.41	(337)	
(2,541)	(482)	Short Term Borrowing	4.37a	(483)	
(406)	(872)	Provisions	4.44	(443)	
(5,604)	(7,579)	Short Term Creditors	4.43	(3,694)	
(710)	(456)	Capital Grants Receipts in Advance	4.47	(15)	
(1,951)	(2,161)	Receipts in Advance		(1,815)	
<b>(11,212)</b>	<b>(11,550)</b>	<b>Total Current Liabilities</b>			<b>(6,787)</b>
		Long Term Liabilities			
(273)	(1,149)	Long Term Creditors	4.43	(1,154)	
(15,000)	(15,000)	Long Term Borrowing	4.37a	(15,000)	
(325)	(206)	Provisions	4.44	(214)	
(44,182)	(30,005)	Other Long Term Liabilities (Pensions)	4.49d	(35,678)	
<b>(59,780)</b>	<b>(46,360)</b>	<b>Total Long Term Liabilities</b>			<b>(52,046)</b>
<b>128,025</b>	<b>142,433</b>	<b>Net Assets</b>			<b>129,171</b>

31 March 2010 £000	31 March 2011 £000	Balance Sheet (Cont.)	Note	31 March 2012	
				£000	£000
		<b>Usable Reserves</b>	4.5		
20	20	Deferred Credits		20	
0	0	Deferred Capital Receipts Reserve		0	
0	0	Usable Capital receipts		0	
3,800	3,721	General Fund Reserve Balance		2,839	
4,888	2,741	Earmarked Reserves	4.5	2,247	
73	137	Capital Grants Unapplied Account		118	
8,781	6,619				5,224
		<b>Unusable reserves</b>	4.45		
(44,182)	(30,005)	Pension Reserve		(35,678)	
(66)	(63)	Employee Benefit Reserve		(69)	
143,059	145,915	Capital Adjustment Account		139,210	
5	43	Collection Fund Adjustment Account		58	
20,428	19,924	Revaluation Reserve		20,426	
119,244	135,814				123,947
<b>128,025</b>	<b>142,433</b>	<b>Total Reserves</b>			<b>129,171</b>

Certified that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Signed:



Date:

29 June 2012

P Mason - Director of Resources

### 3.4 Cash Flow Statement

2010/11 £000		Note	2011/12 £000
(6,469)	<b>Net surplus or deficit on the provision of services</b>		8,520
2,014	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.55	(5,218)
4,038	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.55	2,850
<b>(417)</b>	<b>Net cash flows from Operating Activities</b>		<b>6,152</b>
(546)	Net cash flows from Investing Activities	4.56	(3,190)
(228)	Net cash flows from Financing Activities	4.56	(1,319)
<b>(1,191)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>1,643</b>
115	Cash and cash equivalents at the beginning of the reporting period		1,306
<b>1,306</b>	Cash and cash equivalents at the end of the reporting period		<b>(337)</b>

## 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 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 Non Distributed Costs 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 4.9%.
- 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 85% 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 4.49 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 2011/12 Code. The following items meeting the new definition are contained within the Council's balance sheet.

### **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.

**(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 derecognition 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 investment 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 2011/12 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 4.37 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, 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 2011/12* (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.

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.

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 fixed 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**

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**

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 2011/12 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	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 would increase by £44,000 for every year that useful lives had to be reduced.
Debtors & Creditors	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 2011/12 that differ from the accrual made will result in the difference being funded from the 2011/12 budget.
Pension Liability	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 £2.175million

### 4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2011/12:

- Income relating to the administration and payments of Benefits was received from Central Government totalling £30,165,000 with corresponding payments of benefits totalling £30,174,000.
- Council tax income of £7,181,000 was credited to the Comprehensive Income and Expenditure Statement
- Redistributed NNDR of £5,369,000 was received from Central Government
- The continued Transformation programme of the Council resulted in Termination payments of £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 £2.750million.

## **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
2011/12	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>												
<b>(Amounts included in I&amp;E to be removed for determining movement in general fund)</b>												
Depreciation / Amortisation	2,767				2,767	(2,767)			(2,767)			0
Impairment/revaluation losses (charged to CIES)	2,750				2,750	(2,750)			(2,750)			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
Donated assets fair value less consideration	(15)				(15)	15			15			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
Use of capital grants and contributions to finance capital expenditure	0			(10)	(10)	10			10			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
Use of capital receipts reserve to finance capital expenditure	0		(2,005)		(2,005)	2,005			2,005			0
Costs of Disposal funded from Capital Receipts	17				17	(17)			(17)			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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>												
<b>(Amounts excluded in I&amp;E to be included for determining movement in general fund)</b>												
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(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
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	0				0	0						0
<b>Other adjustments include</b>					0							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
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>7,144</b>	<b>0</b>	<b>0</b>	<b>(19)</b>	<b>7,125</b>	<b>(7,125)</b>	<b>(101)</b>	<b>(328)</b>	<b>(6,705)</b>	<b>15</b>	<b>(6)</b>	<b>0</b>

	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
2010/11 Comparative Figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>												
<b>(Amounts included in I&amp;E to be removed for determining movement in general fund)</b>												
Depreciation / Amortisation	2,897				2,897	(2,897)			(2,897)			0
Impairment/revaluation losses (charged to CIES)	426				426	(426)			(426)			0
Capital grant and contributions applied charged to CIES	(3,781)				(3,781)	3,781			3,781			0
Revenue Expenditure Funded from Capital under Statute (England and Wales)	709				709	(709)			(709)			0
Movement in market value of investment property	(2,514)				(2,514)	2,514			2,514			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	153				153	(153)			(153)			0
Capital grant and contributions unapplied credited to CIES	(86)			86	0	0			0			0
Use of capital grants and contributions to finance capital expenditure	0			(22)	(22)	22			22			0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(241)		241		0	0			0			0
Use of capital receipts reserve to finance capital expenditure	0		(241)		(241)	241			241			0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,880)				(2,880)	2,880	2,880					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)	(38)				(38)	38				38		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	(3)				(3)	3					3	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>												
<b>(Amounts excluded in I&amp;E to be included for determining movement in general fund)</b>												
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(184)				(184)	184			184			0
Statutory Repayment of Debt (Finance Lease Liabilities)	0				0	0			0			0
Revenue contribution to finance capital	(211)				(211)	211			211			0
Employers contributions to pension schemes	(2,942)				(2,942)	2,942	2,942					0
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	0				0	0						0
<b>Other adjustments include</b>					0							0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					0	0	(88)		88			0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(8,695)</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>(8,631)</b>	<b>8,631</b>	<b>(88)</b>	<b>5,822</b>	<b>2,856</b>	<b>38</b>	<b>3</b>	<b>0</b>

## 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 posts back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance 31 March 2012
<b>Capital:</b>							
Lanes Capital Fund	311	0	15	326	0	14	340
CLL Reserve	522	0	0	522	0	0	522
Asset Investment Reserve	48	0	0	48	0	0	48
<b>Total Capital Reserves</b>	<b>881</b>	<b>0</b>	<b>15</b>	<b>896</b>	<b>0</b>	<b>14</b>	<b>910</b>
<b>Revenue</b>							
Projects Reserve	1,051	(1,051)	0	0	0	0	0
EEAC Reserve	277	(85)	0	192	(98)	0	94
Transformation Reserve	1,479	(1,025)	430	884	(407)	250	727
Job Evaluation Reserve	493	(505)	130	118	(81)	0	37
Residents Parking Reserve	(97)	(2)	0	(99)	(93)	0	(192)
Licensing Reserve	14	0	0	14	0	0	14
Building Control Reserve	(23)	(4)	0	(27)	0	0	(27)
Routledge Reserve	42	0	0	42	(42)	0	0
Sheepmount Reserve	92	(50)	0	42	(40)	0	2
Cremator Replacement Reserve	0	0	0	0	0	69	69
Conservation Fund	191	0	0	191	(66)	0	125
LSVT Warranties	488	0	0	488	0	0	488
<b>Total Revenue Reserves</b>	<b>4,007</b>	<b>(2,722)</b>	<b>560</b>	<b>1,845</b>	<b>(827)</b>	<b>319</b>	<b>1,337</b>
<b>Total Earmarked Reserves</b>	<b>4,888</b>	<b>(2,722)</b>	<b>575</b>	<b>2,741</b>	<b>(827)</b>	<b>333</b>	<b>2,247</b>
<b>Other Usable Reserves</b>							
Deferred Credits	20	0	0	20	0	0	20
General Fund Balance	3,800	(2,210)	2,131	3,721	(2,065)	1,183	2,839
Capital Grant Unapplied	73	(22)	86	137	(19)	0	118
<b>Total Usable Reserves</b>	<b>8,781</b>	<b>(4,954)</b>	<b>2,792</b>	<b>6,619</b>	<b>(2,911)</b>	<b>1,516</b>	<b>5,224</b>

## 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 was newly created in 2007/08 and 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 was newly created in 2009/10 and 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 was newly created under IFRS in 2010/11 and 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

In 2010/11 there was an exceptional item disclosed of £7.698million relating to the past service gain resulting from the change in valuation basis of the pension fund.

In 2011/12 there are no exceptional items disclosed separately, however, downward revaluations totalling £2.750million have been included in service expenditure in the Comprehensive Income and Expenditure Statement. There is a significant revaluation for the Community Resource Centre of £2.475million due to the valuation being based upon the peppercorn lease granted for occupation of the building by community groups. Further details of which services have been charged are shown at Note 4.27.

### 4.8 Other Operating Expenditure

2010/11 £000		2011/12 £000
435	Parish Council Precepts	438
(215)	Gains/Losses on disposal of non-current assets	(682)
<b>220</b>	<b>Total</b>	<b>(244)</b>

### 4.9 Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
1,301	Interest payable and similar charges	1,312
1,980	Pensions interest cost and expected return on pension assets	1,079
(431)	Interest receivable and similar income	(377)
(5,658)	Income and expenditure in relation to investment properties and changes in their fair value	(355)
69	Surplus/Deficit on Trading Undertakings	233
<b>(2,739)</b>	<b>Total</b>	<b>1,892</b>

### 4.10 Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
(7,150)	Council Tax Income	(7,181)
(9,057)	Non-Domestic Rates	(5,369)
(1,444)	Non-Ring-fenced Government Grants	(2,120)
(3,781)	Recognised Capital Grants & Contributions	(853)
<b>(21,432)</b>	<b>Total</b>	<b>(15,523)</b>

## 4.11 Investment Properties

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

2010/11 £000		2011/12 £000
(4,218)	Rental Income from investment property	(4,454)
974	Direct operating expenses from investment property that generated rental income during the period	678
(2,514)	Change in Fair Value of Investment Properties	3,295
100	(Gains)/Losses on Disposal of Investment Properties	126
<b>(5,658)</b>	<b>Net (Gain)/Loss</b>	<b>(355)</b>

## 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 changes 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 2011/12	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)	<b>(11,440)</b>
Interest and Other investment Income	0	0	(377)	0	(2)	0	<b>(379)</b>
Government Grants and contributions	(15)	(127)	(38,138)	(4,126)	(204)	(3,104)	<b>(45,714)</b>
Recharges / Support Services Recharges	0	0	(1,907)	0	0	(2,038)	<b>(3,945)</b>
<b>Total Income</b>	<b>(22)</b>	<b>(735)</b>	<b>(45,307)</b>	<b>(5,062)</b>	<b>(1,125)</b>	<b>(9,227)</b>	<b>(61,478)</b>
Employee Expenses	942	1,130	4,130	5,891	1,620	5,854	<b>19,567</b>
Other service charges	208	811	42,155	5,562	1,171	7,984	<b>57,891</b>
Recharges / Support Service Recharges	(102)	0	(613)	0	0	(9)	<b>(724)</b>
<b>Total Expenditure</b>	<b>1,048</b>	<b>1,941</b>	<b>45,672</b>	<b>11,453</b>	<b>2,791</b>	<b>13,829</b>	<b>76,734</b>
<b>Net Expenditure</b>	<b>1,026</b>	<b>1,206</b>	<b>365</b>	<b>6,391</b>	<b>1,666</b>	<b>4,602</b>	<b>15,256</b>

Directorate Income and Expenditure 2010/11 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	(3)	(471)	(4,758)	(1,228)	(1,131)	(4,840)	(12,431)
Interest and Other investment Income	0	0	(431)	(1)	0	0	(432)
Government Grants and contributions	0	(107)	(33,763)	(4,242)	(485)	(3,534)	(42,131)
Recharges / Support Services Recharges	(102)	0	(1,799)	0	0	(2,365)	(4,266)
<b>Total Income</b>	<b>(105)</b>	<b>(578)</b>	<b>(40,751)</b>	<b>(5,471)</b>	<b>(1,616)</b>	<b>(10,739)</b>	<b>(59,260)</b>
Employee Expenses	916	1,251	3,821	7,351	2,428	6,398	22,165
Other service charges	251	761	40,100	5,321	1,265	9,351	57,049
Recharges / Support Service Recharges	(638)	1,001	(4,027)	1,112	626	1,299	(627)
<b>Total Expenditure</b>	<b>529</b>	<b>3,013</b>	<b>39,894</b>	<b>13,784</b>	<b>4,319</b>	<b>17,048</b>	<b>78,587</b>
<b>Net Expenditure</b>	<b>424</b>	<b>2,435</b>	<b>(857)</b>	<b>8,313</b>	<b>2,703</b>	<b>6,309</b>	<b>19,327</b>

**(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.

2011/12	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
<b>Total Income</b>	<b>(61,478)</b>	<b>0</b>	<b>(1,103)</b>	<b>8,496</b>	<b>0</b>	<b>(54,085)</b>	<b>(31,718)</b>	<b>(85,803)</b>
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
<b>Total Expenditure</b>	<b>76,734</b>	<b>0</b>	<b>8,671</b>	<b>(8,920)</b>	<b>0</b>	<b>76,485</b>	<b>17,838</b>	<b>94,323</b>
<b>Surplus/Deficit on Provision of Services</b>	<b>15,256</b>	<b>0</b>	<b>7,568</b>	<b>(424)</b>	<b>0</b>	<b>22,400</b>	<b>(13,880)</b>	<b>8,520</b>

2010/11 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	(12,431)	0	(1,804)	8,540	0	(5,695)	(8,749)	(14,444)
Interest and Investment Income	(432)	0	0	431	0	(1)	(5,992)	(5,993)
Income from Council Tax	0	0	0	0	0	0	(7,150)	(7,150)
Government Grants and Contributions	(42,131)	0	(86)	128	0	(42,089)	(14,281)	(56,370)
Recharges	(4,266)	0	0	0	639	(3,627)	0	(3,627)
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	0	0	0	(267)	(267)
Change in Fair Value of Investment Property	0	0	0	0	0	0	(2,514)	(2,514)
<b>Total Income</b>	<b>(59,260)</b>	<b>0</b>	<b>(1,890)</b>	<b>9,099</b>	<b>639</b>	<b>(51,412)</b>	<b>(38,953)</b>	<b>(90,365)</b>
Employee Expenses	22,165	0	(5,136)	(2,669)	0	14,360	7,541	21,901
Other service expenses	57,049	0	2,513	(5,807)	0	53,755	5,570	59,325
Non-Support & Support Service Recharges	(627)	0	0	0	(639)	(1,266)	0	(1,266)
Depreciation, amortisation and impairment	0	0	3,323	0	0	3,323	0	3,323
Interest Payments	0	0	0	(1,301)	0	(1,301)	1,301	0
Precepts and Levies	0	0	0	0	0	0	435	435
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	26	0	0	26	152	178
<b>Total Expenditure</b>	<b>78,587</b>	<b>0</b>	<b>726</b>	<b>(9,777)</b>	<b>(639)</b>	<b>68,897</b>	<b>14,999</b>	<b>83,896</b>
<b>Surplus/Deficit on Provision of Services</b>	<b>19,327</b>	<b>0</b>	<b>(1,164)</b>	<b>(678)</b>	<b>0</b>	<b>17,485</b>	<b>(23,954)</b>	<b>(6,469)</b>

**(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.

2010/11 £000		2011/12 £000
19,327	<b>Net expenditure in the directorate analysis</b>	15,256
0	Add Services not included in the main analysis	0
(1,164)	Add amounts not reported to Management	7,568
(678)	Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(424)
<b>17,485</b>	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>22,400</b>

### 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 2010/11 £000	Activity	Gross Income 2011/12 £000	Gross Expenditure 2011/12 £000	(Surplus) / Deficit 2011/12 £000
81	Building Cleaning & Maintenance	(1,606)	1,848	242
24	Highways	(1,132)	1,144	12
(43)	Transport	(332)	332	0
(42)	Parking Patrols	(437)	416	(21)
0	Grounds	(196)	196	0
49	Other	(4)	4	0
<b>69</b>	<b>Total Internal Trading</b>	<b>(3,707)</b>	<b>3,940</b>	<b>233</b>
<b>69</b>	<b>Total</b>	<b>(3,707)</b>	<b>3,940</b>	<b>233</b>

### 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 a contribution in 2011/12 of £30,000 (2010/11: £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 Councils share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement.

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 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 2011/12 are as follows:

2010/11 £000		2011/12 £000
245	Type of Allowance Basic Allowance	245
92	Special Responsibility Allowance	85
21	Conference/Other Allowances	23
<b>358</b>	<b>Total</b>	<b>353</b>

## 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			
	2011/12	Left During Year	2010/11	Left During Year
Between £50,000 and £54,999	4	1	2	0
Between £55,000 and £59,999	1	0	4	0
Between £60,000 and £64,999	4	0	1	1
Between £65,000 and £69,999	0	0	2	2
Between £70,000 and £74,999	0	0	3	2
Between £75,000 and £79,999	1	0	2	2
Between £80,000 and £84,999	0	0	1	1
Between £85,000 and £89,999	0	0	2	1
Between £90,000 and £94,999	1	0	0	0
Between £95,000 and £99,999	0	0	0	0
Between £100,000 and £104,999	0	0	0	0
Between £105,000 and £109,999	0	0	0	0
Between £110,000 and £114,999	0	0	1	0
Between £115,000 and £119,999	0	0	0	0
Between £120,000 and £124,999	0	0	0	0
Between £125,000 and £129,999	0	0	0	0
Between £130,000 and £134,999	0	0	0	0
<b>Total Number of Employees (Including Senior Employees)</b>	<b>11</b>	<b>1</b>	<b>18</b>	<b>9</b>

Post	Salaries, fees & allowances	Expenses allowance	Compensation for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension	Pension Contribution	Total Remuneration
	£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
<b>Total</b>	<b>498</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>541</b>	<b>60</b>	<b>601</b>

Post	Salaries, fees & allowances	Expenses allowance	Compensation for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension	Pension Contribution	Total Remuneration
2010/11 Comparative Figures	£000	£000	£000	£000	£000	£000	£000
Chief Executive	104	0	0	9	113	18	131
Strategic Director - Deputy Chief Exec	82	0	0	7	89	14	103
Strategic Director	69	0	0	6	75	12	87
Assistant Director Governance	53	0	0	6	59	9	68
Assistant Director Economic Development (Left 07/01/11)	40	0	0	4	44	7	51
Assistant Director Economic Development Interim (from 10/01/11)	13	0	0	1	14	2	16
Assistant Director Local Environment	55	0	0	5	60	10	70
Assistant Director Community Engagement	55	0	0	5	60	10	70
Assistant Director Resources	53	0	0	4	57	9	66
Director Renaissance (Left 31/12/10)	54	0	10	5	69	0	69
<b>Total</b>	<b>578</b>	<b>0</b>	<b>10</b>	<b>52</b>	<b>640</b>	<b>91</b>	<b>731</b>

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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0 - £20,000	3	8	10	11	13	19	122	153
£20,001 - £40,000	4	5	6	4	10	9	300	226
£40,001 - £60,000	3	1	6	4	9	5	448	240
£60,001 - £80,000	0	0	1	0	1	0	62	0
£80,001 - £100,000	2	0	0	0	2	0	182	0
£100,001 - £150,000	1	0	0	0	1	0	102	0
<b>Total</b>	<b>13</b>	<b>14</b>	<b>23</b>	<b>19</b>	<b>36</b>	<b>33</b>	<b>1216</b>	<b>619</b>

## 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.

2010/11 £000		2011/12 £000
123	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	117
0	Fees payable to the Audit Commission in respect of statutory inspection	0
39	Fees payable to the Audit Commission for the certification of grant claims and returns	44
0	Additional audit fee in respect of the 2010/11 audit but paid in 2011/12.	12
1	Fees payable in respect of other services provided by the appointed auditor	1
0	Fees payable in respect of objections to 2009/10 accounts	76
<b>163</b>	<b>Total</b>	<b>250</b>

## 4.19 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
168	Play Areas Grant	82
0	Chances Park Multi Use Games Area Grant	7
1,522	Resource Centre Grant	174
278	Sub Regional Employment Sites	0
210	Chances Park Grant	24
5	Connect 2 Cycleway Grant	0
20	Planned Major Repairs Grant	0
1,436	Roman Gateway Grant	234
40	Tullie House Gallery Grant	0
31	City Play Trail Grant	63
1	Chances Park Contribution	0
6	Play Areas Contribution	58
2	Vehicle replacement Contribution	100
0	Chances Park Multi Use Games Area Contribution	6
46	Lowry Hill Park Contribution	0
0	Roman Gateway Contribution	2
8	Trinity Church Multi Use Games Area Contribution	103
3	Connect 2 Cycleway Contribution	0
5	City Play Trail Contribution	0
<b>3,781</b>	<b>Total</b>	<b>853</b>
	<b>Credited to Services</b>	
341	Economic Regeneration	64
306	Hostels	0
78	Supporting Vulnerable People	78
25,744	Housing Benefit Subsidy	30,165
7,751	Council Tax Benefit	7,471
16	Benefits	30
574	Concessionary Fares	0
75	Roman Gateway	0
38	Arts	0
40	Free Swimming	0
550	Tullie House Hub Projects	0
711	Other Grants	94
2,721	Revenue Expenditure funded by Capital	1,757
<b>38,945</b>	<b>Total</b>	<b>39,659</b>

## 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 2012 are shown in Note 4.19.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2011/12 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 2010/11. The response rate was 100%.

Eighteen Members declared an interest in Community Centres around the Carlisle area. The Council paid £361,500 to Community Centres during 2011/12.

	2011/12 £000
Belah Community Centre	19,000
Botcherby Community Centre	25,400
Brampton Community Centre	38,300
Currock Community Centre	37,800
Denton Holme Community Centre	22,800
Greystone Community Centre	16,700
Harraby Community Centre	46,000
Longtown Community Centre	56,700
Morton Community Centre	60,000
Petteril Bank Community Centre	19,500
Raffles Community Centre	3,400
Yewdale Community Centre	15,900
<b>Grants paid to Community Centres</b>	<b>361,500</b>

Officers

During 2011/12 15 officers were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2011/12. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2011/12.

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 £209,253

## 4.21 Termination Benefits

The Council terminated the contracts of a number of employees during 2011/12, incurring liabilities of £618,678 (£1,216,378 in 2010/11). This total is payable to 33 officers from the Council who were made redundant as part of the Council's Transformation process.

## 4.22 Pension Costs

In 2011/12, the City Council paid an employer's contribution of £1,406,024 into the Cumbria County Council Pension Fund, representing 11.8% plus £1,003,000 deficit funding (2010/11: £2,537,657 and 17.4%) 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 2011/12 the value of these benefits amounted to £149,352 representing 1.3% of pensionable pay (2010/11 £352,676 and 2.6% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2010/11 £000		2011/12 £000
2,541	Current Service Cost	1,922
(7,698)	Past Service Cost / (Gain)	8
297	Curtailment Cost	220
(5,561)	Expected Return on Pension Assets	(5,666)
7,541	Pension Interest Costs	6,745
<b>(2,880)</b>	<b>Total</b>	<b>3,229</b>
(2,942)	Contributions paid to Pension Scheme	(2,901)
<b>(5,822)</b>	<b>Contributions (to) / from Pension Reserve</b>	<b>328</b>

## 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 2011/12 is as follows: -

2010/11 £000		2011/12 £000
(172)	Preserved Right To Buy Sales	(257)
(43)	Other	(425)
<b>(215)</b>	<b>Total</b>	<b>(682)</b>



## 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:

2010/11				2011/12		
Charge-able £000	Non Charge-able £000	Total £000		Charge-able £000	Non Charge-able £000	Total £000
			<b>Expenditure</b>			
275	223	498	Employee Costs	185	111	296
0	1	1	Premises Expenses	0	1	1
18	9	27	Transport Expenses	13	8	21
16	22	38	Supplies & Services	5	14	19
14	0	14	Agency & Contracted Services	1	1	2
51	53	104	Central & Support Services	59	54	113
<b>374</b>	<b>308</b>	<b>682</b>	<b>Total Expenditure</b>	<b>263</b>	<b>189</b>	<b>452</b>
			<b>Income</b>			
(342)	0	(342)	Building Regulation Charges	(252)	0	(252)
(28)	(13)	(41)	Other Income	(11)	0	(11)
<b>(370)</b>	<b>(13)</b>	<b>(383)</b>	<b>Total Income</b>	<b>(263)</b>	<b>0</b>	<b>(263)</b>
<b>4</b>	<b>295</b>	<b>299</b>	<b>(Surplus)/Deficit for the Year</b>	<b>0</b>	<b>189</b>	<b>189</b>

## 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 2011/12 is as follows: -

2010/11				2011/12		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
1,791	(1,769)	(22)	Disabled Facilities Grants	1,032	(1,029)	(3)
830	(830)	0	Highways Claimed Rights	561	(561)	0
191	0	(191)	Capitalised Redundancy Costs	0	0	0
476	0	(476)	Improvement Grants	87	(12)	(75)
55	(35)	(20)	Other	85	(1)	(84)
<b>3,343</b>	<b>(2,634)</b>	<b>(709)</b>	<b>Total</b>	<b>1,765</b>	<b>(1,603)</b>	<b>(162)</b>

## 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 2011/12 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 £6.045million. This was split between investment properties £3.295m and other items of Property, Plant and Equipment and surplus assets £2.750m. 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 were charged to Cost of Services in the Comprehensive Income and Expenditure Statement and are shown below.

2010/11		2011/12
£000		£000
0	Central Services to the Public	2
53	Cultural & Related Services	73
33	Environmental & Regulatory Services	(31)
10	Planning Services	118
59	Highways and Transport Services	4
249	Other Housing Services	2,415
22	Corporate & Democratic Core	24
0	Surplus/Deficit on Trading Undertakings	145
<b>426</b>	<b>Total</b>	<b>2,750</b>

## 4.28 Shared Services

During 2011/12 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 2011/12 was £3,331,948 and contributions were received from Copeland totalling £928,723 and Allerdale totalling £1,160,904.

For the ICT shared service, the Council made contributions to Allerdale totalling £1,203,724 with expenditure incurred directly by Carlisle totalling £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 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	
<b>Cost or Valuation</b>								
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
<b>Depreciation</b>								
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)
<b>Impairments</b>								
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)
<b>Net Book Value at 31 March 2012</b>	<b>186</b>	<b>38,175</b>	<b>5,803</b>	<b>3,442</b>	<b>3,770</b>	<b>221</b>	<b>582</b>	<b>52,179</b>
<b>Net Book Value at 31 March 2011</b>	<b>191</b>	<b>37,365</b>	<b>7,203</b>	<b>2,609</b>	<b>3,445</b>	<b>2,840</b>	<b>685</b>	<b>54,338</b>
<b>Revaluation Summary</b>								
Reval'n Gains	0	(59)	0	0	0	0	0	(59)
<b>Total Revaluation</b>	<b>0</b>	<b>(59)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(59)</b>
<b>Nature of Asset holding</b>								
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
	<b>186</b>	<b>38,175</b>	<b>5,803</b>	<b>3,442</b>	<b>3,770</b>	<b>221</b>	<b>582</b>	<b>52,179</b>
<b>Historic Cost Valuation</b>								
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

Movements in 2010/11 Restated	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	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2010	201	37,960	13,865	2,924	3,174	531	685	59,340
Additions	0	1,938	934	33	255	2,325	0	5,485
Disposals	0	0	(56)	0	0	0	0	(56)
Reclassifications	0	0	0	0	16	(16)	0	0
Revaluations Taken to Revaluation Reserve	0	(1,070)	0	0	0	0	0	(1,070)
Revaluations Charged to Surplus/Deficit on Provision of Services 2010/11	0	(673)	0	0	0	0	0	(673)
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 2011	201	38,155	14,743	2,957	3,445	2,840	685	63,026
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2010	(5)	(838)	(5,507)	(291)	0	0	0	(6,641)
Depreciation Charge to CIES 2010/11	(5)	(853)	(1,944)	(57)	0	0	0	(2,859)
Depreciation on Disposals	0	0	47	0	0	0	0	47
Depreciation w/out to Revaluation Reserve	0	654	0	0	0	0	0	654
Depreciation w/out to Surplus/Deficit on Provision of Services	0	247	0	0	0	0	0	247
Accumulated Dep'n at 31 March 2011	(10)	(790)	(7,404)	(348)	0	0	0	(8,552)
<b>Impairments</b>								
Accumulated Impairment 1 April 2010	0	0	(136)	0	0	0	0	(136)
Impairments Charge to Surplus/Deficit on Provision of Service 2010/11	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 2011	0	0	(136)	0	0	0	0	(136)
<b>Net Book Value at 31 March 2011</b>	<b>191</b>	<b>37,365</b>	<b>7,203</b>	<b>2,609</b>	<b>3,445</b>	<b>2,840</b>	<b>685</b>	<b>54,338</b>
<b>Net Book Value at 31 March 2010</b>	<b>196</b>	<b>37,122</b>	<b>8,222</b>	<b>2,633</b>	<b>3,174</b>	<b>531</b>	<b>685</b>	<b>52,563</b>
<b>Revaluation Summary</b>								
Reval'n Gains	0	(1,070)	0	0	0	0	0	(1,070)
<b>Total Revaluation</b>	<b>0</b>	<b>(1,070)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,070)</b>
<b>Nature of Asset holding</b>								
Owned	191	37,365	7,203	2,609	3,174	2,840	685	54,067
Finance Lease	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	<b>191</b>	<b>37,365</b>	<b>7,203</b>	<b>2,609</b>	<b>3,174</b>	<b>2,840</b>	<b>685</b>	<b>54,067</b>
<b>Historic Cost Valuation</b>								
Net Book Value 31 March 2011	185	32,414	7,203	2,609	3,445	2,840	685	49,381
Net Book Value 31 March 2010	191	31,968	8,222	2,633	3,174	531	685	47,404

**(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 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £944,000. Similar commitments at 31 March 2011 were £2,847,000. The major commitments are:

	£000
Improvement Grant Commitments	199
Community Resource & Training Centre	31
Vehicle Replacement	588
Other Capital Commitments	126
	<b>944</b>

**(c) Effects of Changes in Estimates**

In 2011/12, the Council made no material changes to its 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 2011/12 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	Vehicles, Equip & Plant* £000	Surplus £000
Valued at Historic Cost	0	25	0	0
Valued at Current Value in:				
2011/12	0	8,385	299	472
2010/11	0	750	879	0
2009/10	201	1,350	2,469	0
2008/09	0	28,544	1,127	110
2007/08	0	0	3,097	0
2006/07	0	0	2,208	0
2005/06	0	0	2,693	0
2004/05	0	0	590	0
2003/04	0	0	764	0
2002/03	0	0	917	0
<b>Total</b>	<b>201</b>	<b>39,054</b>	<b>15,043</b>	<b>582</b>

\* Vehicles and moveable plant are valued at historic cost as a proxy for current value. These items are shown at the cost paid for the assets in the relevant financial year. This means that there are some items with a valuation greater than five years old in the above table.

Community Assets 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 2011		31 March 2012
1	Civic Centre	1
15	Depots and Workshops	15
14	Off Street Car Parks	14
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
1	Crematorium	1
97	Industrial Units	97
12	Community Centres	12
9	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 2011/12 were carried out by R Simmons (Property Services Manager) ARICS. 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.

2010/11 £000		2011/12 £000
99,162	Opening Balance at 1 April 2011 of Investment Property	102,033
0	Additions due to acquisitions	324
501	Additions to existing assets	212
(144)	Disposals	(748)
0	Reclassifications	(255)
2,514	Net gains or losses from fair value adjustments	(3,295)
<b>102,033</b>	<b>Closing Balance at 31 March 2012 of Investment Property</b>	<b>98,271</b>

### 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 £57,600 charged to revenue in 2011/12 was charged to the relevant service heading.



2010/11 £000		2011/12 £000
	<b>Cost or Valuation</b>	
192	Valuation at 1 April	287
94	Additions acquired separately	45
0	Disposals	0
0	Revaluations	0
286	Valuation at 31 March	332
	<b>Amortisation</b>	
(30)	Accumulated amortisation at 1 April	(68)
(38)	Amortisation Charge for year	(58)
(68)	Accumulated amortisation at 31 March	(126)
	<b>Impairments</b>	
0	Accumulated Impairment at 1 April	0
0	Impairment Charge for year	0
0	Accumulated Impairment at 31 March	0
<b>218</b>	<b>Net Book Closing Value (31 March)</b>	<b>206</b>
<b>161</b>	<b>Net Book Opening Value (1 April)</b>	<b>218</b>

## 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
<b>Cost or Valuation</b>								
Valuation as at 1 April 2010	76	11,500	1,260	600	600	1,149	183	15,368
Additions	38	0	0	0	0	0	0	38
Disposals	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0
Impairment Losses/(reversals) recognised in Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on Provision of Services	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0
<b>Valuation as at 31 March 2011</b>	<b>114</b>	<b>11,500</b>	<b>1,260</b>	<b>600</b>	<b>600</b>	<b>1,149</b>	<b>183</b>	<b>15,406</b>
<b>Cost or Valuation</b>								
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
Disposals	0	0	0	0	0	0	0	0
Reclassifications	816	0	0	0	0	0	0	816
Revaluations	(129)	(15)	0	0	0	0	0	(144)
Impairment Losses/(reversals) recognised in Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on Provision of Services	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0
<b>Valuation as at 31 March 2012</b>	<b>816</b>	<b>11,500</b>	<b>1,260</b>	<b>600</b>	<b>600</b>	<b>1,149</b>	<b>183</b>	<b>16,108</b>

#### 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, 1<sup>st</sup> floor Civic Centre

**4.34 Heritage Assets: Change in Accounting Policy**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change in to the treatment in accounting for heritage assets held by the Council. As set out in Note 4.0, Accounting Policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

**Heritage Assets**

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance

Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's Accounting Policies at Note 4.0.

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets or assets under construction within property, plant and equipment at £850,000 should now be recognised as heritage assets and measured at £850,000. These assets relate to historic assets such as Dixons Chimney, Castle Banks and West Walls which were previously recognised in the community assets classification of property, plant and equipment at cost. The Council will also recognise an additional £15.292million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £15.368m. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £76,000. The Revaluation Reserve has increased by £15.292million.
- The fully restated 1 April 2010 Balance Sheet is provided at page 11. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

#### Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant & Equipment	52,639	(76)	52,563
Heritage Assets	0	15,368	15,368
<b>Total Long Term Assets</b>	<b>153,371</b>	<b>15,292</b>	<b>168,663</b>
<b>Total Net Assets</b>	<b>112,733</b>	<b>15,292</b>	<b>128,025</b>
Unusable Reserves	103,952	15,292	119,244
<b>Total Reserves</b>	<b>112,733</b>	<b>15,292</b>	<b>128,025</b>

#### Comprehensive Income and Expenditure Statement

During 2010/11, no impairments were recognised. There has thus been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

#### Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated 31 March 2011 £000	Restatement 2011 £000	As restated 31 March 2011 £000
Balance of unusable reserves as at the end of the previous reporting period 31 March 2010	103,952	15,292	119,244
<b>Surplus or Deficit on Provision of Services</b>	0	0	0
Other Comprehensive Income and Expenditure	7,939	0	7,939
Adjustments between the accounting basis and the funding basis under regulations	8,631	0	8,631
<b>Increase/(decrease) in the year</b>	<b>16,570</b>	<b>0</b>	<b>16,570</b>
<b>Balance of unusable reserves at then end of the current reporting period 31 March 2011</b>	<b>120,522</b>	<b>15,292</b>	<b>135,814</b>

The resulting restated Balance Sheet for 31 March 2011 is provided on page 11. The adjustment that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

#### Effect on Opening Balance Sheet 1 April 2011

	Opening Balances as at 1 April 2011 £000	Restatement £000	Restatement required to opening balances as at 1 April 2011 £000
Property, Plant & Equipment	54,452	(114)	54,338
Heritage Assets	0	15,406	15,406
<b>Total Long Term Assets</b>	<b>159,046</b>	<b>15,292</b>	<b>174,338</b>
<b>Total Net Assets</b>	<b>127,141</b>	<b>15,292</b>	<b>142,433</b>
Unusable Reserves	120,522	15,292	135,814
<b>Total Reserves</b>	<b>127,141</b>	<b>15,292</b>	<b>142,433</b>

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £16.142million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £15.292million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets and assets under construction (a sub classification of property, plant and equipment) of £850,000.

### 4.35 Heritage Assets: Summary of Transactions

2010/11 £000		2011/12 £000
	<b>Cost of Acquisitions of heritage assets</b>	
0	Museums Collection	0
38	Statues, Monuments and Historic landmarks	95
<b>38</b>	<b>Total Cost of Purchases</b>	<b>95</b>
	<b>Value of Heritage Assets acquired by Donation</b>	
0	Museums Collection - Pictures, Prints & Sculptures	15
0	Statues, Monuments and Historic Landmarks	0
<b>0</b>	<b>Total Donations</b>	<b>15</b>
	<b>Disposals of Museum Collection Assets</b>	
0	Carrying Value	0
0	Proceeds	0
	<b>Disposals of Statues, Monuments &amp; Historic Landmarks</b>	
0	Carrying Value	0
0	Proceeds	0
	<b>Impairment recognised in the period</b>	
0	Museums Collection - Pictures, Prints & Sculptures	(15)
0	Statues and Monuments	(129)

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.

### 4.36 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 20<sup>th</sup> 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 19<sup>th</sup> and 20<sup>th</sup> 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 19<sup>th</sup> and 20<sup>th</sup> 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 18<sup>th</sup> and 19<sup>th</sup> century English porcelain, all major factories represented. The bequest also includes a 17<sup>th</sup> 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 19<sup>th</sup> 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 16<sup>th</sup> to 20<sup>th</sup> centuries, Carlisle made watches, long case clocks and firearms, State Management branded pub material, traditional Cumbrian sports trophies and accessories, ephemera relating to 20<sup>th</sup> 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).



## 4.37 Financial Instruments

### (a) Financial Liabilities held at Amortised Cost

2010/11			2011/12	
Long Term £000	Current £000		Long Term £000	Current £000
15,000	482	Borrowing	15,000	483
1,149	5,320	Operational Creditors	1,154	2,119
<b>16,149</b>	<b>5,802</b>	<b>Total</b>	<b>16,154</b>	<b>2,602</b>

### (b) Loans and Receivables held at Amortised Cost

2010/11			2011/12	
Long Term £000	Current £000		Long Term £000	Current £000
2,002	18,162	Investments	0	15,063
77	3,864	Operational Debtors	63	2,025
19	0	Car Loans	4	0
0	1,306	Cash at Bank and Cash equivalents	0	(337)
264	0	Transferred Debt	229	0
0	0	Mortgages	0	0
<b>2,362</b>	<b>23,332</b>	<b>Total</b>	<b>296</b>	<b>16,751</b>

### (c) Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

2010/11			2011/12	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
3,864	5,320	Value as per Note (a) & (b) above	2,025	2,119
19	0	Car Loans	4	0
1,847	2,259	Non-Contractual Items	3,056	1,575
<b>5,730</b>	<b>7,579</b>	<b>Total per Balance Sheet</b>	<b>5,085</b>	<b>3,694</b>

**(d) Gains and Losses on Financial Instruments**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2011/12 relating to financial instruments are made up as follows:

2011/12	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	(38)	0	(38)
<b>Interest Payable and Similar Charges</b>	<b>1,312</b>	<b>(38)</b>	<b>0</b>	<b>1,274</b>
Interest Received	0	(377)	0	(377)
(Gains)/Losses on Derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>(377)</b>	<b>0</b>	<b>(377)</b>
<b>Net (Gain)/Loss for year</b>	<b>1,312</b>	<b>(415)</b>	<b>0</b>	<b>897</b>

Comparative information for financial year 2010/11 is as follows:

2010/11 Comparative Figures	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,301	0	0	1,301
Impairment Losses	0	109	0	109
<b>Interest Payable and Similar Charges</b>	<b>1,301</b>	<b>109</b>	<b>0</b>	<b>1,410</b>
Interest Received	0	(431)	0	(431)
(Gains)/Losses on Derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>(431)</b>	<b>0</b>	<b>(431)</b>
<b>Net (Gain)/Loss for year</b>	<b>1,301</b>	<b>(322)</b>	<b>0</b>	<b>979</b>

**(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 2012;
- 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 2011			31 March 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
21,951	27,551	Financial Liabilities	18,756	25,510

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 2011			31 March 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
25,694	25,741	Loans & Receivables	17,047	17,127

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 2012 £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	14,726	Nil	Nil	0
Gross Operational Debtors	2,185	1.37%	4.80%	105
				<b>105</b>

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, so £0.788 million of the current value at 31 March 2012 of £2.185million is past its due date for payment. The aged-debt analysis of this sum is as follows:

	£000
Less than 3 months	740
3-5 months	6
More than 5 months	42
<b>Total</b>	<b>788</b>

During the period the movement on the bad debt provision that related to customers was as follows:

2010/11 £000		2011/12 £000
31	Opening Balance	138
(2)	Write Offs in Year	(3)
109	(Decrease)/Increase to Provisions	(38)
<b>138</b>	<b>Closing Balance</b>	<b>97</b>

**(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 2012.

The maturity analysis of loans and borrowings within financial liabilities is as follows:

	£000
Less than 1 year	483
1 - 2 years	0
2 - 5 years	0
Over 5 years	15,000
<b>Total</b>	<b>15,483</b>

**(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 in 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	(66)
Decrease in Fair Value of Borrowings	(1,321)

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 2011/12.

### 4.38 Inventories

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Total
2011/12	£000	£000	£000	£000
<b>Balance outstanding at 1 April</b>	<b>105</b>	<b>51</b>	<b>23</b>	<b>179</b>
Purchases	135	163	20	318
Recognised as an expense in the year	(141)	(170)	(16)	(327)
Written off balances	(53)	1	0	(52)
Reversals of write-offs in previous years	0	0	0	0
<b>Balance outstanding at 31 March</b>	<b>46</b>	<b>45</b>	<b>27</b>	<b>118</b>

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Total
2010/11 Comparative Figures	£000	£000	£000	£000
<b>Balance outstanding at 1 April</b>	<b>119</b>	<b>49</b>	<b>50</b>	<b>218</b>
Purchases	179	177	35	391
Recognised as an expense in the year	(174)	(175)	(62)	(411)
Written off balances	(19)	0	0	(19)
Reversals of write-offs in previous years	0	0	0	0
<b>Balance outstanding at 31 March</b>	<b>105</b>	<b>51</b>	<b>23</b>	<b>179</b>

### 4.39 Construction Contracts

At 31 March 2012 the Council had no construction contracts in progress.

### 4.40 Short Term Debtors

2010/11 £000		2011/12 £000
1,369	Central Government Bodies	1,859
1,637	Other Local Authorities	1,156
1	NHS Bodies	0
0	Public Corporations and trading funds	3
3,632	Bodies external to government	3,052
(909)	Bad debt provisions	(985)
<b>5,730</b>	<b>Total</b>	<b>5,085</b>

### 4.41 Cash and Cash Equivalents

2010/11 £000		2011/12 £000
574	Cash and Bank	(2,128)
0	Overnight Cash Deposits	0
732	Short Term Investments with maturity of less than 3 months	1,791
<b>1,306</b>	<b>Total</b>	<b>(337)</b>

Cash and Cash Equivalents were shown as a Current Asset in 2010/11, but due to the overdrawn balance at 31 March 2012, they are shown within Current Liabilities in 2011/12.

#### 4.42 Assets Held for Sale

2010/11 £000		2011/12 £000
<b>530</b>	<b>Balance outstanding at 1 April</b>	<b>530</b>
	Assets newly classified as held for sale:	
0	Property Plant and Equipment	250
0	Intangible Assets	0
0	Other Assets/liabilities in disposal groups	0
0	Revaluation losses	0
0	Revaluation Gains	0
0	Impairment Losses	0
	Assets declassified as held for sale:	
0	Property Plant and Equipment	0
0	Intangible Assets	0
0	Other Assets/liabilities in disposal groups	0
0	Assets Sold	(530)
0	Transfer from non-current to current	0
<b>530</b>	<b>Balance outstanding at 31 March</b>	<b>250</b>

#### 4.43 Short and Long Term Creditors

2010/11 £000	Short Term Creditors	2011/12 £000
(2,067)	Central Government Bodies	(1,360)
(1,605)	Other Local Authorities	(603)
0	NHS Bodies	(7)
(40)	Public Corporations and trading funds	(45)
(3,804)	Other Entities and Individuals	(1,610)
(63)	Employee Benefits	(69)
<b>(7,579)</b>	<b>Total</b>	<b>(3,694)</b>

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 £1,153,900 in 2011/12, £1,148,997 in 2010/11, £272,814 in 2009/10 and £147,929 in 2008/09.



## 4.44 Provisions

The movement in the level of provisions held by the Council during 2011/12 is as follows: -

	1 April 2011	Received in year	Used in year	Unused Amounts reversed	31 March 2012
	£000	£000	£000	£000	£000
Insurance Claims	664	96	(317)	0	443
Cemeteries Perpetuity Fund	75	0	0	0	75
Other Provisions	339	36	(223)	(13)	139
<b>Total</b>	<b>1,078</b>	<b>132</b>	<b>(540)</b>	<b>(13)</b>	<b>657</b>
<b>Split as:</b>					
Falling due within 1 year	872	110	(526)	(13)	443
Falling Due after 1 year	206	22	(14)	0	214

(i) **Insurance Provision**

The Council has established a provision totalling £443,325 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 2012 and the insurance provision will therefore cover this value in full. However it is expected that £245,323 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) **Other Provisions**

There are a number of other provisions that the Council has in place for liabilities of uncertain timing or amount. The largest of these relate to the Cemeteries Perpetuity Fund (£74,787). 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.

## 4.45 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.

Restated 2010/11 £000		2011/12 £000
<b>20,428</b>	<b>Balance at 1 April</b>	<b>19,924</b>
40	Upward Revaluation of Assets	865
(456)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(262)
(416)	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	603
0	Revaluation losses on Property, Plant and Equipment	0
(88)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(101)
0	Accumulated gains on assets sold or scrapped	0
<b>19,924</b>	<b>Balance at 31 March</b>	<b>20,426</b>

**(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.

2010/11 £000		2011/12 £000
<b>143,059</b>	<b>Balance at 1 April</b>	<b>145,915</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(2,859)	Charges for depreciation and impairment of non-current assets	(2,709)
(426)	Revaluation losses on Property, Plant and Equipment	(2,750)
(38)	Amortisation of Intangible Assets	(58)
(3,343)	Revenue Expenditure Funded from Capital under Statute	(1,765)
(153)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,430)
241	Capital expenditure financed from capital receipts	2,005
<b>136,481</b>		<b>139,208</b>
88	Adjusting Amounts written out of the Revaluation reserve	101
<b>136,569</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>139,309</b>
	Capital Financing Applied in the year	
0	Use of Capital Receipts Reserve to finance new capital expenditure	0
	Use of Capital Receipts to finance costs of disposal	(17)
6,415	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,447
22	Application of grants to capital financing from the Capital Grants Unapplied Account	19
184	Statutory provision for the financing of capital investment charged against the General Fund	278
0	Transfer of Capital receipt for reclassified assets (Finance to Operating Leases)	
211	Capital expenditure charged against the General Fund	454
<b>6,832</b>		<b>3,181</b>
2,514	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,295)
0	Movement in Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	15
<b>145,915</b>	<b>Balance at 31 March</b>	<b>139,210</b>

**(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.

2010/11 £000		2011/12 £000
<b>(44,182)</b>	<b>Balance at 1 April</b>	<b>(30,005)</b>
8,355	Actuarial Gains or losses on pension assets and liabilities	(5,345)
2,880	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	(3,229)
2,942	Employer's pensions contributions and direct payments to pensioners payable in the year	2,901
<b>(30,005)</b>	<b>Balance at 31 March</b>	<b>(35,678)</b>

**(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.

2010/11 £000		2011/12 £000
<b>5</b>	<b>Balance at 1 April</b>	<b>43</b>
38	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	15
<b>43</b>	<b>Balance at 31 March</b>	<b>58</b>

**(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.

2010/11 £000		2011/12 £000
<b>(66)</b>	<b>Balance at 1 April</b>	<b>(63)</b>
66	Settlement or cancellation of accrual made at the end of the previous period	63
(63)	Amounts accrued at the end of the current year	(69)
<b>3</b>	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	<b>(6)</b>
<b>(63)</b>	<b>Balance at 31 March</b>	<b>(69)</b>

## 4.46 Capital Expenditure and Capital Financing

2010/11 £000		2011/12 £000
4,598	Opening Capital Financing Requirement	6,954
	<b>Capital Expenditure</b>	
5,523	Property, Plant and Equipment	3,450
501	Investment Properties	618
95	Intangible Assets	45
3,343	Revenue Expenditure funded from Capital Under Statute	1,765
9,462		5,878
	<b>Sources of Finance</b>	
(241)	Capital Receipts	(1,988)
(5,214)	Government Grants and Contributions	(1,332)
(395)	Revenue Provision (Including MRP)	(733)
(32)	Transferred Debt	(35)
(1,224)	Contributions from other bodies	(1,133)
(7,106)		(5,221)
<b>6,954</b>	<b>Closing Capital Financing Requirement</b>	<b>7,611</b>
	<b>Explanation of Movements in year</b>	
0	Increase in underlying need to borrow (supported by Government Finance Assistance)	0
2,356	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	657
0	Assets acquired under Finance Leases	0
0	Assets acquired under PFI/PPP contracts	0
<b>2,356</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>657</b>

## 4.47 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 balances at the year-end are as follows:

2010/11 £000		2011/12 £000
	<b>Capital Grants Receipts in Advance</b>	
1	ODPM Flood Alleviation Grant	0
174	Centre of Excellence Grant	0
65	Play Builder Grant	0
49	Trinity Church Multi Use Games Area Grant	0
100	Recycling Vehicle Contribution	0
37	Play Area Contributions	15
30	City Play Trail Grant	0
<b>456</b>	<b>Total</b>	<b>15</b>

#### 4.48 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 2011/12 was £4.438m (£4.222m 2010/11). At 31 March 2012 the minimum lease payments under operating leases and contract hire agreements were as follows:

2011/12	Leased Cars £000	Property Leases £000	Other Leases £000	Total £000
Not later than 1 year	3	605	0	608
Later than 1 year and not later than 5 years	9	2,075	0	2,084
later than 5 years	0	40,344	0	40,344
<b>Total</b>	<b>12</b>	<b>43,024</b>	<b>0</b>	<b>43,036</b>

2010/11 Comparative Figures	Leased Cars £000	Property Leases £000	Other Leases £000	Total £000
Not later than 1 year	14	605	0	619
Later than 1 year and not later than 5 years	14	2,113	0	2,127
later than 5 years	0	40,827	0	40,827
<b>Total</b>	<b>28</b>	<b>43,545</b>	<b>0</b>	<b>43,573</b>

The capital value held within the balance sheet at 31 March 2012 in respect of land and property generating leasehold income is £98.271million. 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 £2,581,680. (£2,371,432 2010/11).

**(a) Operating Leases**

Total operating lease rentals paid in 2011/12 amounted to £244,798. At 31 March 2012 the annual commitment under operating leases and contract hire agreements was as follows:

On Leases expiring:	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	6	19	25
Later than 1 year and not later than 5 years	21	0	21
Later than 5 years	0	167	167
<b>Total</b>	<b>27</b>	<b>186</b>	<b>213</b>

On Leases expiring: 2010/11 Comparative Figures	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	6	0	6
Later than 1 year and not later than 5 years	29	18	47
Later than 5 years	0	113	113
<b>Total</b>	<b>35</b>	<b>131</b>	<b>166</b>

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 2012 was £29,000. There are no contingent rents associated with any of the leases.

**(b) Finance Leases**

The Council made no payments under finance leases during 2011/12 (None during 2010/11).

**4.49 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 2011/12.

2010/11 £000		2011/12 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<u>Net Cost of Services</u>	
2,541	Current Service Costs	1,922
(7,698)	Past Service Costs / (Gain)	8
297	Curtailment Cost	220
	<u>Surplus or Deficit on Provision of Services</u>	
7,541	Interest cost	6,745
(5,561)	Expected return on assets in the scheme	(5,666)
	<u>Other Comprehensive Income and Expenditure</u>	
(8,355)	Actuarial Gains and Losses	5,345
<b>(11,235)</b>	<b>Net Charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>8,574</b>
	<b>Movement in Reserves Statement</b>	
(2,880)	Reversal of net charge made for retirement benefits in accordance with IAS 19	3,229
(2,942)	Actual amount charged against the General Fund Balance for pensions in the year	(2,901)
<b>(5,822)</b>	<b>Contribution (to) / from Pension Reserve</b>	<b>328</b>

The Cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure is a £15,442,000 loss.

**(a) Assets and Liabilities in relation to Retirement Benefits**

Reconciliation of present value of the scheme liabilities:

31 March 2011 £000		31 March 2012 £000
135,654	Benefit Obligation at beginning of period (1 April)	124,158
2,541	Current Service Cost	1,922
7,541	Interest Cost	6,745
883	Member Contributions	764
(7,698)	Past Service Cost	8
(9,646)	Actuarial (gains)/losses on liabilities	4,326
297	Curtailments	220
(5,414)	Benefits/transfers paid	(5,726)
<b>124,158</b>	<b>Benefit Obligation at end of period (31 March)</b>	<b>132,417</b>

Reconciliation of Fair Value of the scheme assets:



31 March 2011 £000		31 March 2012 £000
91,472	Fair Value of plan assets at beginning of period (1 April)	94,153
5,561	Expected return on plan assets	5,666
(1,291)	Actuarial gains/(losses) on assets	(1,019)
2,942	Employer Contributions	2,901
883	Member Contributions	764
(5,414)	Benefits/transfers paid	(5,726)
<b>94,153</b>	<b>Fair Value of plan assets at end of period (31 March)</b>	<b>96,739</b>

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 £4,647,000 (2010/11: a gain of £7,018,000).

#### (b) Scheme History

	2006/07*	2007/08	2008/09	2009/10	2010/11	2011/12
	£	£	£	£	£	£
Present value of liabilities	104,497	115,724	98,203	135,654	124,158	132,417
Fair Value of assets	88,631	87,282	70,736	91,472	94,153	96,739
<b>(Surplus)/Deficit in the scheme</b>	<b>15,866</b>	<b>28,442</b>	<b>27,467</b>	<b>44,182</b>	<b>30,005</b>	<b>35,678</b>

The liabilities show the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £35,678 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 2013 is £2.168 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:

2010/11			2011/12	
		Long-term expected rate of return on assets in the scheme:		
7.50%		Equity investments		7.00%
4.40%		Government Bonds		3.10%
5.10%		Other Bonds		4.10%
6.50%		Property		6.00%
0.50%		Cash/Liquidity		0.50%
7.50%		Other		7.00%
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.80		Men		21.80
24.40		Women		24.50
		Longevity at 65 for future pensioners:		
23.20		Men		23.20
26.00		Women		26.00
3.40%		Rate of Inflation		2.50%
4.65%		Rate of Increase in Salaries		4.25%
2.90%		Rate of increase in Pensions		2.50%
50.00%		Proportion of employees opting to take a commuted lump sum		50.00%
5.50%		Rate of discounting Scheme Liabilities		4.90%

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:

2010/11			2011/12	
%	Expected Return		%	Expected Return
51.6	7.50%	Equity Investments	51.6	7.00%
18	4.40%	Government Bonds	16.0	3.10%
14	5.10%	Bonds	16.0	4.10%
6.1	6.50%	Property	6.4	6.00%
1.6	0.50%	Cash/Liquidity	1.6	0.50%
8.7	7.50%	Other Assets	8.4	7.00%
<b>100.0</b>			<b>100.0</b>	

**(d) History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2012.

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%	%
Differences between expected and actual return on assets	0.50	7.40	30.30	17.10	1.40	1.10
Experience gains and losses on liabilities	0.00	0.70	0.00	0.00	3.90	0.00

The movement on the net pension liability during the year is as follows:

2010/11 £000		2011/12 £000
(44,182)	Net Pension Liability at 1 April	(30,005)
	<b>Movements in year:</b>	
(2,541)	Current Service Cost	(1,922)
2,942	Employers Contributions payable to the scheme	2,901
7,401	Past Service Costs/Curtailment Costs	(228)
(7,541)	Interest Cost	(6,745)
5,561	Expected Return on assets in the scheme	5,666
8,355	Actuarial Gains / (Losses)	(5,345)
<b>(30,005)</b>	<b>Net Pension Liability at 31 March</b>	<b>(35,678)</b>

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

#### 4.50 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. During 2011/12, the Richard Sewell, the EB Burton and the James Walter Brown bequests were transferred to the newly established Tullie House Trust which became the sole trustee. The remaining bequests for which the Council is sole trustee are shown below.

Bequest	Purpose	2011/12 Income £	2011/12 Expenditure £	Assets at 31 March 2012 £	Liabilities at 31 March 2012 £
Parker	Established in 1954 to benefit disabled children and other young residents of the city	2	0	1,329	0
District Nurses Amenity Fund	Established to provide amenities for nurses' homes and retirement allowances to nurses	8	0	7,123	0
<b>Total</b>		<b>10</b>	<b>0</b>	<b>8,452</b>	<b>0</b>

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	2011/12 Income £	2011/12 Expenditure £	Assets at 31 March 2012 £	Liabilities at 31 March 2012 £
Mary Hannah Almshouses	Registered Housing Association	21,410	14,697	306,893	4,282
Carlisle Educational Charity	To provide grants to students	9,803	9,101	213,624	0
<b>Total</b>		<b>31,213</b>	<b>23,798</b>	<b>520,517</b>	<b>4,282</b>

#### 4.51 Contingent Assets

- (a) **Riverside (formerly Carlisle Housing Association (CHA))**  
At 31 March 2012 £256,888 (31 March 2011 £171,607) 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 2011/12 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.

#### 4.52 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 2012 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. 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. MMI Ltd. did not make a claim in 2011/12 in respect of this potential liability. At 31 March 2012 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £874,000. The directors of the company are seeking advice to determine the implications of the Supreme Court Judgement handed down on 28 March 2012 relating to employers' liability policy trigger points in mesothelioma claims, and how this will impact on whether a solvent 'run off' can be achieved.

**(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 2011, the Council has not received any claims in respect of either environmental or non-environmental warranties.

## 4.53 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 29 June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events taking place up to this date that require disclosure.

#### **4.54 Authorisation for Issue**

The Statement of Accounts were authorised for issue on 29 June 2012 by the Director of Resources, Peter Mason CPFA. This is the date up to which post balance sheet events have been considered.

## Cash-Flow Statement

### 4.55 Cash Flow Statement – Operating Activities

2010/11 £000		2011/12 £000
(6,469)	(Surplus) / Deficit on the Provision of Services	8,520
	<b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>	
(3,323)	Depreciation and downward revaluation charges	(5,517)
2,514	Movement in Fair Value of Investment Properties	(3,295)
(153)	Carrying amount of non current assets sold	(1,430)
5,822	Pension (IAS 19)	(328)
0	Increase in impairment provision for bad debts	0
(39)	Increase/(decrease) in stocks	(61)
(285)	Increase/(decrease) in debtors	1,377
(2,456)	(Increase)/decrease in creditors	4,150
(66)	Other non-cash items charged to net surplus/deficit on provision of services	(114)
<b>2,014</b>		<b>(5,218)</b>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
0	Purchase of short term and long term investments	0
0	Proceeds from short term and long term investments	0
241	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,005
3,797	Capital Grants charged to Comprehensive Income and Expenditure	845
<b>4,038</b>		<b>2,850</b>
<b>(417)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>6,152</b>
	<b>Shown within Net Cash Flow from Operating Activities</b>	
1,302	Interest Payable	1,296
(497)	Interest Receivable	(477)
<b>805</b>		<b>819</b>

## 4.56 Cash Flow Statement – Investing and Financing Activities

2010/11 £000		2011/12 £000
	<b>Investing Activities</b>	
5,381	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	5,502
30,000	Purchase of Short Term and Long Term Investments	34,700
9	Other Payments for Investing Activities	0
(1,166)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,787)
(32,000)	Proceeds from Short Term and Long Term Investments	(39,700)
(2,770)	Other Receipts from Investing Activities	(1,905)
<b>(546)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(3,190)</b>
	<b>Financing Activities</b>	
0	Cash Receipts of short and long term borrowing	0
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liability relating to a finance lease	0
2,057	Repayments of short and long term borrowing	0
(2,285)	Other payments for financing activities	(1,319)
<b>(228)</b>	<b>Net Cash Flows from financing Activities</b>	<b>(1,319)</b>



## 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.

2010/11 £000		Note	2011/12 £000	
			£000	£000
	<b>Income</b>			
47,011	Council Tax		46,960	
35,091	Income from Business Ratepayers	5.2(c)	37,753	
	Income from the General Fund			
7,163	- Council Tax Benefits		7,389	
<b>89,265</b>	<b>Total Income</b>			<b>92,102</b>
	<b>Expenditure</b>			
	Precepts and Demands	5.2(d)		
40,097	Cumbria County Council		40,397	
6,693	Cumbria Police Authority		6,743	
7,110	Carlisle City Council		7,186	
53,900				54,326
	Business Rates			
34,908	Payments to National Pool		37,571	
183	Allowance for cost of NNDR collection		182	
35,091				37,753
	Bad and Doubtful Debts - Council Tax			
(72)	Write offs		(65)	
60	Provisions		(7)	
(12)				(72)
	Contribution:			
(3)	Adjustment of Previous Years' Collection Fund Surplus			(19)
289	Movement on Fund Balance			114
<b>89,265</b>	<b>Total Expenditure</b>			<b>92,102</b>
	<b>Collection Fund Balance</b>			
40	Fund Balance at 1 April			329
289	Surplus/(Deficit) for Year			114
<b>329</b>	<b>Fund Balance at 31 March</b>			<b>443</b>

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 2011/12 Statement of Accounts as follows:

- The £443,395 surplus is accounted for in line with the Code of Practice 2011 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £58,513 Carlisle share of the surplus is shown as a balance on the Collection Fund adjustment Account. The £330,046 share is attributable to the County Council and the £54,836 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 2012 was £443,395.

**(b) Council Tax base calculation**

The council tax base set for 2011/12, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	57.25	5/9	31.80
A	18,437.25	6/9	12,291.48
B	9,913.50	7/9	7,710.49
C	6,429.25	8/9	5,714.93
D	4,609.00	9/9	4,609.00
E	2,294.50	11/9	2,804.37
F	936.75	13/9	1,353.08
G	305.75	15/9	509.59
H	15.50	18/9	31.00
	<b>42,998.75</b>		<b>35,055.74</b>
Second Homes	158.47		158.47
Relevant Amount	<b>43,157.22</b>		<b>35,214.21</b>
Estimated Collection Rate			98.50%
<b>Council Tax Base =</b> <b>Relevant Amount (Band D Equivalent) x Collection Rate</b>			<b>34,686.00</b>

**(c) Income from Business Ratepayers**

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (43.3p in 2011/12), 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 £37.753million was based on a total rateable value for the Council's area of £105,027,160 for the year (£103,570,492 in 2010/11). The Council received £5,368,548 from the NNDR Pool in 2011/12, 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 2011/12 the values were: -

2010/11 £		2011/12 £
7,109,726	Carlisle City Council	7,147,095
40,096,727	Cumbria County Council	40,396,427
6,693,353	Cumbria Police Authority	6,743,370

Included in the amount for the City Council is a precept of £437,780 (2010/11 £434,710 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*'.

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 framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore 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 the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts for 2011/12.

### 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 Corporate Plan which is then debated and agreed by full Council. This vision is then communicated through the Corporate Plan itself, and the Summary Corporate Plan 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 report presenting the key outcomes to the Executive and Overview & Scrutiny Panels.

## **The Council's vision – implications for governance arrangements**

The Corporate Plan is periodically reviewed with Members to ensure that the vision and priorities are still relevant and constant with Members' aspirations. Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with corporate 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 performance management framework 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 action plan. 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 terms trends and reported corporately to the Senior Management Team. Progress against corporate 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 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 Forward Plan of key decisions to be considered by the Executive over the coming four months.

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 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 the statutory Code of Conduct for its elected Members, without modification. It forms 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 statutory code and regime under the Standards Board for England and Wales ceases to have effect on 30 June 2012. In accordance with the Localism Act 2011, the Council has put in place alternative arrangements to achieve the required standard including, a new code of conduct, arrangements for dealing with complaints (including a replacement Standards

Committee) and guidance. 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 new Standards Committee, which will comprise of 7 Members of the City Council who are advised by an Independent Person (yet to be appointed). A Parish Member would be co-opted on to 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.

### **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.

In terms of risk assessment, this is overseen in the Council by a formal Risk Management Group made up of relevant officers and the previous Portfolio Holder for Governance and Resources. A representative from Marsh Ltd – the Council's Insurance Brokers/Advisers - also attends 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.

## **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 2011/12 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 SMT and 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 16 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 Joint Management Team which consists of the Executive Members and SMT. The MTFP for 2013/14 to 2017/18 will be presented to Executive, ROSP and Council between July and September 2012.

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 Resources Overview and Scrutiny Panel. 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.

## **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.

## **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 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.

## **Whistle blowing and complaints**

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 Corporate 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 will be fully implemented in 2012/13.

### **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.

### **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 Service 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.


We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Significant Governance Issues

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature, and are therefore not reported as part of this statement.

### Signed on behalf of Carlisle City Council

Leader..... *J.O. Henley* .....

Chief Executive.....  .....

Chief Financial officer..... *P. Smith* .....

Date..... *29/6/12* .....