

# Carlisle City Council

## Statement of Accounts

2016/17



**CARLISLE CITY COUNCIL**

**SINGLE ENTITY**

**STATEMENT OF ACCOUNTS**

**2016/17**

# STATEMENT OF ACCOUNTS

2016/17

## CONTENTS

Section		Page
	Auditor Opinion	i
1.	Narrative Report	1
2.	Statement of Responsibilities for the Statement of Accounts	14
3.	Financial Statements:	
	Comprehensive Income and Expenditure Statement	15
	Movement in Reserves Statement	16
	Balance Sheet	18
	Cash Flow Statement	20
4.	Notes to the Accounts (including Accounting Policies)	21
5.	Supplementary Financial Statements – Collection Fund	97
6.	Annual Governance Statement	101
7.	Financial Abbreviations	116

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

We have audited the financial statements of Carlisle City Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

*Gareth Kelly*

Gareth Kelly  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
110 Queen Street  
Glasgow  
G1 3BX

31 July 2017

## SECTION 1 – NARRATIVE REPORT

### 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 2016/17
- 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 narrative report gives a guide to the most important matters included in the Statement of Accounts. The Statement of Accounts for the year ended 31 March 2017 has been produced by the Chief Finance Officer 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 Chief Finance Officer for preparing the Statement of Accounts.

**(ii) The Movement in Reserves Statement**

This Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

**(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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.13) and the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2016 and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services:

Community Services	Economic Development	Corporate Support & Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	Customer Services	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships	Debtors	Health & Safety	Asset Management Costs (Depreciation)
Community Centres	Enterprise Centre	Digital and Information Services	Homelessness & Hostels	
Community Safety	Enterprise Zone	Finance	Investment & Operational Property	
Corporate Communications	Planning Enforcement	Health & Wellbeing	Land Charges	
Emergency Planning	Regeneration & Projects	Human Resources	Legal Services	
Events	Rural Policy & Support	Insurance	Licensing	
Green Spaces	Section 106 / Community Infrastructure Levy	Organisational Development	Mayoral Support	
Marketing	Strategic and Housing Planning Policy	PA Support Team	Member Services	
Old Fire Station	Strategic Property & Economic Development	Payroll & Personnel	Monitoring Officer	
Overview & Scrutiny		Procurement	Private Sector Housing	
Policy & Performance		Revenues & Benefits	Welfare Advice Service	
Refuse and Recycling		Risk Management		
Sports Development		Section 151		
Street Cleaning				
Third Sector Grants				
Tourism				

**(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 Accounts**

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 precepting organisations 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, business 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 2016/17. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 14.

2016/17 Revenue Budget	£000
Approved Budget (Council Resolution - February 2016)	13,091
Carry Forward requests (2015/16 Outturn)	528
<b>Revised Budget 2016/17 as at March 2017</b>	<b>13,619</b>
Non-Recurring Expenditure	
Use of Renewals Reserve	288
Use of Leisure Reserve	38
Use of Economic Investment Reserve	101
Use of Energy Efficiency Advice Reserve	42
Use of Carry Forward Reserve	125
Use of Transformation Reserve	198
Use of Conservation Reserve	117
Use of Car Park Enhancement Reserve	48
Carry Forward to 2017/18	(97)
Transfer to Cremator Reserve	(113)
<b>Revised Budget 2016/17</b>	<b>14,366</b>

	Revised Budget £000	Actual £000	Variance £000
Community Services	8,932	8,448	(484)
Corporate Support and Resources	3,590	3,094	(496)
Economic Development	1,346	1,354	8
Governance and Regulatory Services	434	353	(81)
Corporate Management (excl flood)	64	(351)	(415)
Flood	0	226	226
<b>Service Expenditure</b>	<b>14,366</b>	<b>13,124</b>	<b>(1,242)</b>
Parish Precepts	556	556	0
<b>Total</b>	<b>14,922</b>	<b>13,680</b>	<b>(1,242)</b>
<b><u>Transfers to/(from) Reserves</u></b>			
Transformation Reserve	(198)	(198)	0
Building Control Reserve	0	50	50
Cremator Replacement Reserve	113	275	162
Car Parking Reserve	(48)	(6)	42
Repairs & Renewals Reserve	(288)	(288)	0
Economic Investment Reserve	(101)	(101)	0
Leisure Reserve	(38)	(38)	0
Carry Forward Reserve	(125)	27	152
Conservation Reserve	(117)	(117)	0
Energy Efficiency Advice Reserve	(42)	(43)	(1)
Prosecution Fund	0	21	21
Promoting Carlisle Reserve	0	30	30
General Fund Reserve	(1,843)	(421)	1,422
<b>Total Transfer from Reserves</b>	<b>(2,687)</b>	<b>(809)</b>	<b>1,878</b>
Financed by:			
Precept from Collection Fund	(6,933)	(6,933)	0
Business Rate Retention	(3,712)	(4,348)	(636)
Revenue Support Grant	(1,590)	(1,590)	0
<b>Total Grants</b>	<b>(12,235)</b>	<b>(12,871)</b>	<b>(636)</b>
<b>Total</b>	<b>(14,922)</b>	<b>(13,680)</b>	<b>1,242</b>

The Council has total usable reserves of £8.400million, of which the total earmarked reserves held by the Council are £4.206million as at 31 March 2017 (£3.403 million at 31 March 2016). Further details can be found at note 4.6. The Council was under spent by £1.242million against the revised budget. This resulted in a lower use of reserves in 2016/17 than expected. However, of the under spend, £0.393million is earmarked for carry forward into future years and £0.407million has been placed into earmarked reserves to meet known commitments.

The Council has other unusable reserves totalling £103.6million at 31 March 2017 (£103.4million at 31 March 2016). Certain reserves are kept to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

The table below sets out how the Council's earmarked and general fund reserves levels compares at 31<sup>st</sup> March 2017 to those that were forecast when it set its 2017/18 revenue budget in February 2017.

	<b>Forecast 31/03/2017 £000</b>	<b>Outturn 31/03/2017 £000</b>
<b>General Reserves</b>		
General Fund (including Projects Reserve)	(1,570)	(3,089)
Carry Forward Reserve	(991)	(1,105)
	<b>(2,561)</b>	<b>(4,194)</b>
<b>Earmarked Reserves</b>		
Transformation Reserve	0	(150)
Building Control Reserve	(137)	(187)
Cremator Reserve	(521)	(756)
Leisure Reserve	(101)	(80)
Economic Investment Reserve	(95)	(6)
Car Parking Reserve	(113)	(107)
City Centre Reserve	(42)	(42)
Welfare Reform Reserve	(200)	(200)
Repairs & Renewals Reserve	0	(214)
Flooding Reserve	0	(500)
Business Rate Volatility Reserve	(110)	(110)
Lanes Reserve	(30)	(30)
CLL Reserve	(522)	(522)
Asset Investment Reserve	(48)	(48)
Promoting Carlisle Reserve	0	(30)
Prosecutions and Representations Reserve	0	(21)
Revenue Grants Reserve	0	(865)
Revenues & Benefits Reserve	0	(338)
	<b>(1,919)</b>	<b>(4,206)</b>
<b>Total Usable Reserves</b>	<b>(4,480)</b>	<b>(8,400)</b>

For a more detailed analysis of the breakdown of income and expenditure and explanation of variances from the budget a revenue outturn report for 2016/17 has been prepared which provides additional information on the year end position. This is available upon request from the Chief Finance Officer.

### 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 2016/17 was approved at £12.073million. Overall capital spending for 2016/17, totalled £8.044million, resulting in an underspend of £4.029million. £4.406million has been reprofiled to future years. The overall programme can be summarised as follows:

	£000	£000
<b>Revenue Expenditure funded from Capital Under Statute</b>		
Disables Facilities Grants	521	
Harraby School and Community Campus	500	
Other Schemes	292	
		1,313
<b>Capital Investment on Assets</b>		
Strategic Property Purchases	789	
Industrial Estates	1,257	
Equipment Vehicles & Plant	2,373	
Enhancements to Council Property	2,012	
Play Areas and Open Space Improvements	231	
Public Realm	31	
Other Schemes	38	
		6,731
		<b>8,044</b>

The programme has been financed as follows:

	£000
Capital Receipts	916
Specified Capital Grant	1,467
Other Capital Grants and Contributions	1,600
Direct Revenue Financing	4,009
Unfinanced Capital Expenditure (See para 1.6(iv))	52
	<b>8,044</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 £15million 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 and other assets disposed of in line with the Council's Asset Business Plan.

## 1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's financial status. The Council's holding of Property, Plant and Equipment and Investment Properties has increased in value in the year from £156.109million to £157.706million through a combination of capital expenditure, revaluations and disposals.

### (i) Reserves & Balances

The following table shows a reconciliation between the amount of cash-backed reserves held by the Council at 31 March and the amount of cash or investments it held at 31 March.

2015/16 £000		2016/17 £000
(4,588)	General Fund Balance	(4,194)
(585)	Capital Reserves	(600)
227	Collection Fund Adj Account	5
(2,818)	Earmarked Reserves	(3,606)
(2,166)	Provisions	(1,644)
(191)	Capital Grant Unapplied/Capital Grant Receipts in Advance	(794)
<b>(10,121)</b>	<b>Amount available for Investment</b>	<b>(10,833)</b>
	Investments	
3,281	Long Term	3,230
12,500	Short Term	10,500
750	Cash & Cash Equivalents	2,690
<b>16,531</b>	<b>Total Investments</b>	<b>16,420</b>
<b>6,410</b>	<b>Surplus Monies</b>	<b>5,587</b>
(4,295)	Working Capital	(2,996)
<b>2,115</b>	<b>Surplus Monies</b>	<b>2,591</b>

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed balances (£10.833million) and cash held in working capital. The surplus funds of £2.591million can be represented by a position of over borrowing. The actual borrowing the Council held at 31 March was £15.013million, the actual borrowing requirement the Council had at 31 March was £12.423million (Note 4.44). In effect the Council is utilising the cash from this borrowing. This is an improved position against forecasts when the 2017/18 budget was set which showed a surplus of £1.273million and is due to the amounts returned to reserves from the under spend position.

## 1.5 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £42.029million at 31 March 2017.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £42.029million 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 robust. The deficit on the local government pension scheme will be dealt with by increasing

contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

## **1.6 Significant Issues**

### **(i) Flood and Storm Damage**

During 2016/17 pressure was continued to be placed upon the Council's financial position and staffing resources as a result of the severe flooding and storm damage experienced by the City and the wider Cumbrian area in December 2015. The reinstatement work to Council assets alone is likely to cost millions of pounds to complete. Negotiations have been held with the Council's insurers to ensure where possible as much can be reimbursed from insurance settlements. Any expenditure that is not recoverable from these, or other sources, will remain to be met from City Council resources. The Council has currently set aside £500,000 from its own reserves to meet any expenditure that cannot be recovered from other sources, however in 2016/17 it had no recourse to utilise this reserve, instead funding £225,830 of uninsured costs from the general underspend in the revenue budget. Any expenditure incurred by the Council has been included within the Comprehensive Income and Expenditure Statement as an exceptional item of expenditure and where this is met from reimbursed funding (Insurance) this has been shown as income.

### **(ii) Revaluation of Assets**

A revaluation of all Property assets has been undertaken as at 31 March 2017. Included in the Comprehensive Income and Expenditure Statement within Services are downward revaluations totalling £1.659million in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net decrease in value of £2.082million.

### **(iii) Voluntary Redundancy/Early Release**

During 2016/17 the Council continued to accept applications for Voluntary Redundancy or Early Release on the grounds of efficiencies in light of the requirement to make staffing savings. A total of 11 redundancies were accepted with an associated cost of £0.439million.

### **(iv) Economic Climate**

The effect of the economic climate continued in 2016/17 as budget expectations took into account the expected effects of lower interest rates. Expenditure on employee costs decreased from 2015/16 levels from £18.687million to £16.628million. Other expenditure increased from 2015/16 levels of £46.228million to £47.815million, however, this was as a result of additional expenditure incurred in response to the flooding in December 2015.

## **1.7 Council Priorities and non-financial performance**

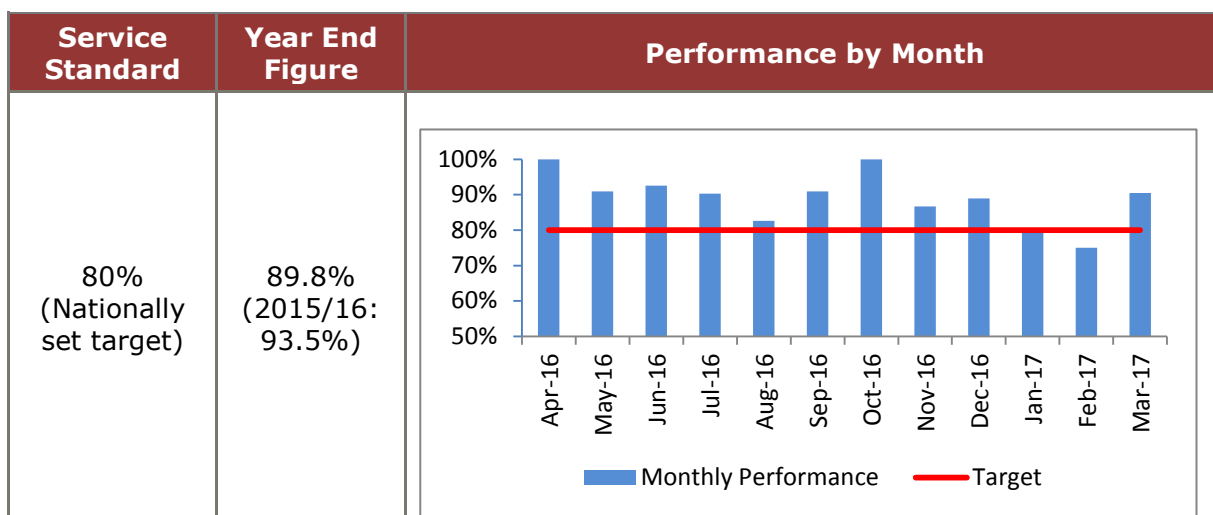
The Carlisle Plan outlines the key priorities for the Council. These key priorities are:

- Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle;
- Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents;
- Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle;
- Address current and future housing needs to protect and improve residents' quality of life;
- Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential.

The Council monitors its non-financial performance through five 'Service Standards'. These provide a standard in service that our customers can expect from the City Council and a standard by which the Council can be held to account. The measures of the standard of services are based on timeliness, accuracy and quality of the service the Council provides in areas that have a high impact on our customers.

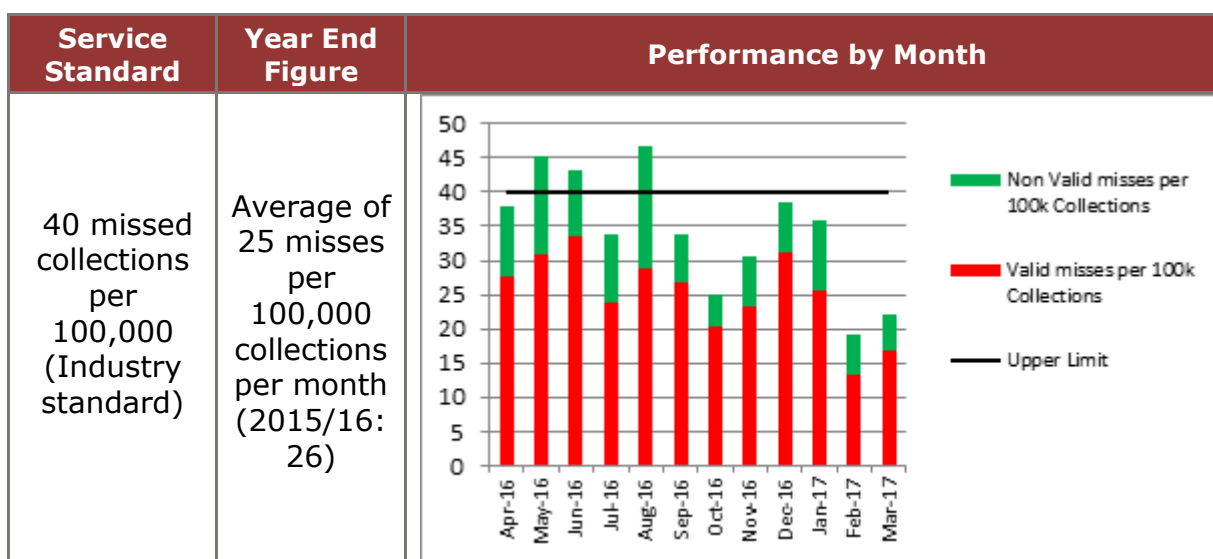
The year-end position of these Service Standards is shown below:

#### **Percentage of Household Planning Applications processed within eight weeks**

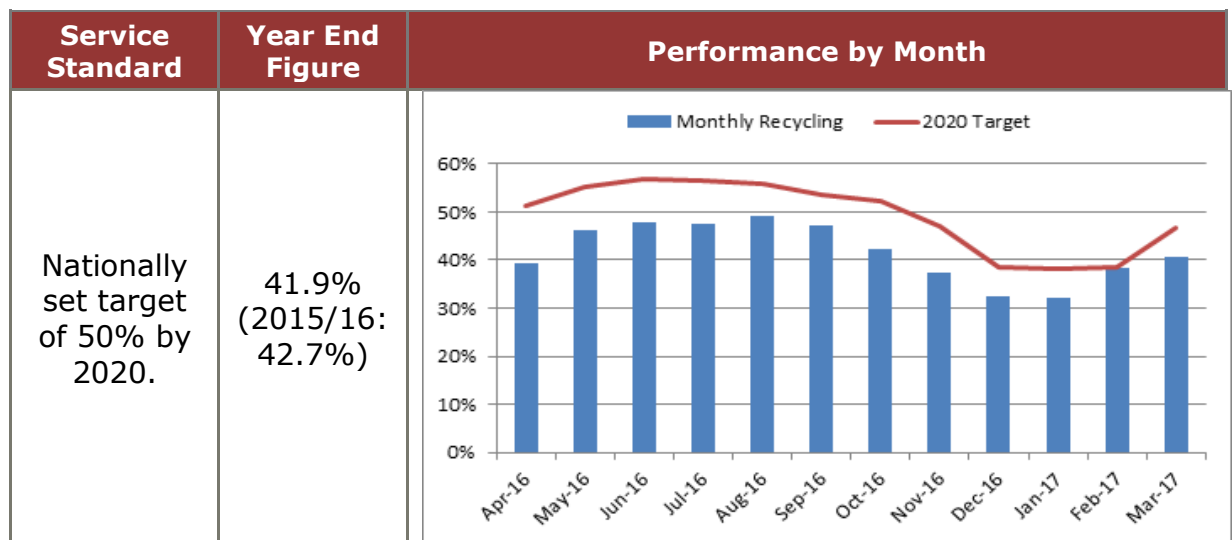
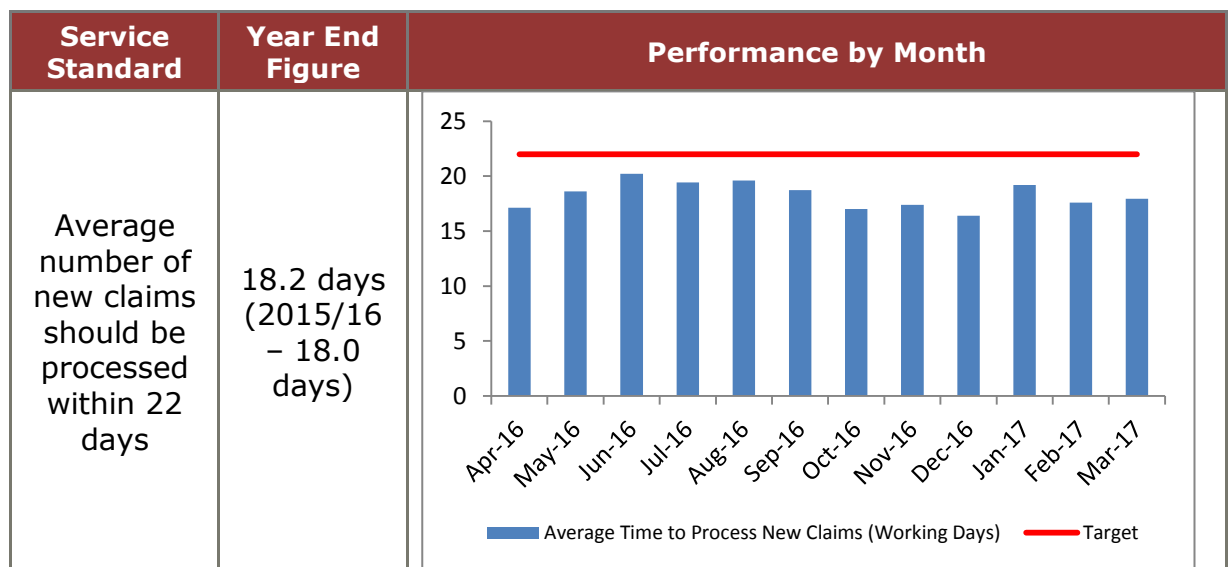


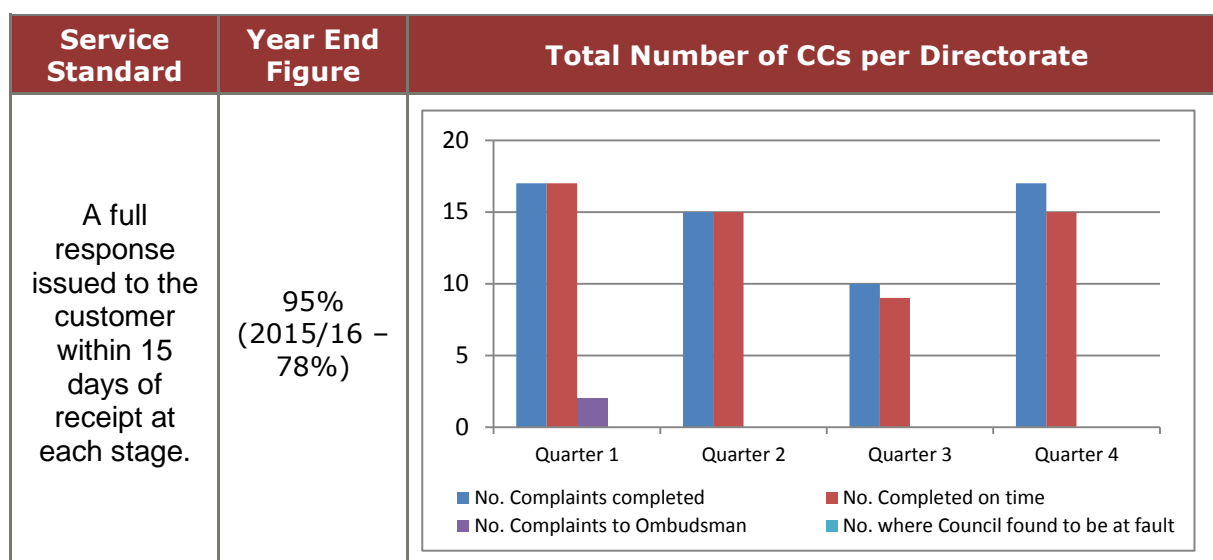
N.B. 265 household planning applications were received during 2016/17.

#### **Number of missed waste or recycling collections**





**Percentage of household waste sent for recycling****Average number of days to process new benefits claims**

**Percentage of Corporate Complaints dealt with within timescale**

N.B. 59 complaints were received during 2016/17 compared to 60 in 2015/16. So far only two have reached Ombudsman stage in 2016/17 compared to eight last year.

**1.8 Value for Money**

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

**1.9 Workforce**

As at 31 March the Council employed 448 employees. This was split 229 female and 219 male. There were 311 full time employees with 137 part time/job share.

**1.10 Expenditure & Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at 4.13.

**1.11 Major Influences on the Authority**

During 2016/17 the Council has continued with its programme of transformational change in order to make savings and efficiency savings in light of reducing funding levels.

**1.12 Going Concern**

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future.

**1.13 Events after the Balance Sheet Date**

Events taking place after the 31 March 2017 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **1.14 Accounting Policy Information**

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2016/17 Code of Practice on Local Authority Accounting.

### **1.15 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 Chief Finance Officer, 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.

Signed:



A Taylor – Chief Finance Officer

Date: 19 July 2017

## 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 Chief Finance Officer;
- 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 Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance Accountants)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer is required to give a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Signed:



Alison Taylor  
Chief Finance Officer

Date:

19 July 2017

## SECTION 3 – FINANCIAL STATEMENTS

### 3.1 Comprehensive Income and Expenditure Statement

2015/16 Restated				Note	2016/17		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
15,537	(5,594)	9,943	Community Services		15,836	(6,412)	9,424
2,657	(1,561)	1,096	Economic Development		3,249	(1,686)	1,563
36,411	(34,226)	2,185	Corporate Support & Resources		33,551	(32,466)	1,085
7,120	(2,814)	4,306	Governance & Regulatory Services		8,324	(3,578)	4,746
993	(98)	895	Corporate Management		1,133	(80)	1,053
2,474	(2,499)	(25)	Exceptional Item - Flooding		3,302	(5,013)	(1,711)
<b>65,192</b>	<b>(46,792)</b>	<b>18,400</b>	<b>Cost of Services</b>	<b>4.13</b>	<b>65,395</b>	<b>(49,235)</b>	<b>16,160</b>
1,050	(645)	405	Other Operating Expenditure	4.9	589	(217)	372
3,564	(5,889)	(2,325)	Financing and Investment Income and Expenditure	4.10	6,588	(6,169)	419
0	(2)	(2)	Surplus or Deficit of Discontinued Operations	4.29	0	(2)	(2)
0	(16,646)	(16,646)	Taxation and Non-Specific Grant Income	4.11	0	(17,334)	(17,334)
<b>69,806</b>	<b>(69,974)</b>	<b>(168)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>4.13</b>	<b>72,572</b>	<b>(72,957)</b>	<b>(385)</b>
		(1,711)	Surplus or Deficit on Revaluation of Non Current Assets	4.43a			(703)
		(186)	Surplus or Deficit on Revaluation of Available for Sale Financial Assets	4.43f			51
		(7,474)	Remeasurements of the Net Defined Benefit Liability / (Asset)	4.43c			499
		<b>(9,371)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(153)</b>
		<b>(9,539)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(538)</b>

### 3.2 Movement in Reserves Statement

2016/17	Note	General Fund Balances £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016		7,991	20	191	8,202	103,478	111,680
<b>Movement in reserves during 2016/17</b>							
Total Comprehensive Income and Expenditure		385	0	0	385	153	538
Adjustments between accounting basis and funding basis under regulations	4.5	24		(20)	4	(4)	0
<b>Increase/Decrease in Year</b>		<b>409</b>	<b>0</b>	<b>(20)</b>	<b>389</b>	<b>149</b>	<b>538</b>
Balance at 31 March 2017		8,400	20	171	8,591	103,627	112,218

2015/16 - Restated	Note	General Fund Balances £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015</b>		<b>7,830</b>	<b>20</b>	<b>191</b>	<b>8,041</b>	<b>94,100</b>	<b>102,141</b>
<b>Movement in reserves during 2015/16</b>							
Total Comprehensive Income and Expenditure		168	0	0	168	9,371	9,539
Adjustments between accounting basis and funding basis under regulations	4.5	(7)	0	0	(7)	7	0
<b>Increase/Decrease in Year</b>		<b>161</b>	<b>0</b>	<b>0</b>	<b>161</b>	<b>9,378</b>	<b>9,539</b>
<b>Balance at 31 March 2016</b>		<b>7,991</b>	<b>20</b>	<b>191</b>	<b>8,202</b>	<b>103,478</b>	<b>111,680</b>

N.B. The restatement of the Movement in Reserves Statement for 2015/16 has seen the merging of General Fund Balances with Earmarked Reserves columns as published in the 2015/16 Statement of Accounts, and the merging of the Adjustments between accounting basis and funding basis under regulations line with the transfers to/(from) earmarked reserves line, to now be shown as Adjustments between accounting basis and funding basis under regulations

### 3.3 Balance Sheet

31 March 2016 £000		Note	31 March 2017	
			£000	£000
	Property, Plant and Equipment	4.32		
	Operational Assets			
200	Dwellings			200
30,069	Other Land & Building			30,101
3,720	Infrastructure Assets			3,698
3,951	Community Assets			3,971
4,015	Vehicles & Plant			5,750
	Non Operational Assets			
1,664	Surplus			1,578
12	Assets Under Construction			12
43,631	Total Property, Plant and Equipment			45,310
92,877	Investment Property	4.34		92,783
99	Intangible Assets			85
19,502	Heritage Assets	4.36		19,528
3,281	Long Term Investments	4.38b		3,230
	Long Term Debtors	4.38b		
167	Transferred Debt - Cumbria County Council			155
12	Other Long Term Debtors			0
0	Long Term Payments in Advance			8
115,938				115,789
159,569	Total Long Term Assets			161,099
	Current Assets			
12,530	Short Term Investments	4.38b	10,513	
71	Inventories		77	
5,858	Short Term Debtors	4.39	6,645	
1,105	Payments in Advance		917	
750	Cash and Cash Equivalents	4.40	2,690	
20,314	Total Current Assets			20,842
	Current Liabilities			
(483)	Short Term Borrowing	4.38a	(482)	
(506)	Provisions	4.42	(431)	
(841)	Provisions - NNDR Appeals	4.42	(719)	
(7,860)	Short Term Creditors	4.41	(7,705)	
0	Capital Grants Receipts in Advance		(623)	
(1,814)	Receipts in Advance		(1,027)	
(11,504)	Total Current Liabilities			(10,987)
	Long Term Liabilities			
(949)	Long Term Creditors	4.41	(1,213)	
(15,000)	Long Term Borrowing	4.38a	(15,000)	
(819)	Provisions	4.42	(494)	
(39,931)	Other Long Term Liabilities (Pensions)	4.46a	(42,029)	
(56,699)	Total Long Term Liabilities			(58,736)
111,680	Net Assets			112,218



31 March 2016 £000	Balance Sheet (Cont.)	Note	31 March 2017	
			£000	£000
	<b>Usable Reserves</b>	4.6		
20	Deferred Credits		20	
4,588	General Fund Reserves		4,194	
3,403	Earmarked Reserves	4.6	4,206	
191	Capital Grants Unapplied Account		171	
8,202				8,591
	<b>Unusable reserves</b>	4.43		
(39,931)	Pension Reserve		(42,029)	
445	Available for Sale Reserve		394	
(188)	Employee Benefit Reserve		(172)	
115,693	Capital Adjustment Account		117,353	
(227)	Collection Fund Adjustment Account		(5)	
27,686	Revaluation Reserve		28,086	
103,478				103,627
<b>111,680</b>	<b>Total Reserves</b>			<b>112,218</b>

Certified that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Signed:



A Taylor – Chief Finance Officer



A Taylor – Chief Finance Officer

Date: 31 May 2017

Date: 19 July 2017

These accounts were originally authorised for issue on 31 May 2017 and have been subsequently re-authorised for issue on 19 July 2017

Approved by Audit Committee on 31 July 2017

Signed:



Chair of Audit Committee

Date: 31 July 2017

### 3.4 Cash Flow Statement

2015/16 £000		Note	2016/17 £000
(168)	<b>Net surplus or deficit on the provision of services</b>		(385)
(3,524)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.51	(3,215)
2,068	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.51	2,366
<b>(1,624)</b>	<b>Net cash flows from Operating Activities</b>		<b>(1,234)</b>
2,382	Investing Activities	4.52	213
(370)	Financing Activities	4.52	(919)
<b>388</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(1,940)</b>
1,138	Cash and cash equivalents at the beginning of the reporting period		750
<b>750</b>	Cash and cash equivalents at the end of the reporting period		<b>2,690</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 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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 and out of the ordinary, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

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

**4.0.6 Charges to Revenue for Non-Current Assets**

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

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

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

**4.0.7 Employee Benefits****Benefits Payable During Employment**

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

**Termination Benefits**

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

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

and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

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

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

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 2.5%.
- 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 77% 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 six components and recognised in the Statements as follows:

Service Cost comprising:

- **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.
- **Net Interest on the defined pension liability (asset)** – i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **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 4.46 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 2016/17 Code.

#### **Financial Liabilities**

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(i) **Borrowing**

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

(ii) **Creditors**

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

**Financial Assets**

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

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

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

(i) **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **(i) Loans and Receivables**

### **Investments**

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

### **Debtors (including mortgages)**

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

### **Car Loans**

Car Loans are provided to staff deemed to be essential users at a discounted rate of interest and therefore meet the definition of a soft loan within the 2016/17 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 4.38 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 2016 - 2019 that sets out the policy for the development of collections at the museum.

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

**Statues, Monuments and other historical buildings**

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

**Heritage Assets – General**

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

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

**4.0.12 Intangible Asset**

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

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

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

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

**4.0.13 Inventories and Long Term Contracts**

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

**4.0.14 Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. 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 2016/17* (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.

### **4.0.18 Property, Plant and Equipment**

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

### **Recognition**

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

Deminimis levels have been set at:

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

<b>Asset Category</b>	<b>Rate</b>	<b>Basis</b>
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:

<b>Component</b>
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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

#### **4.0.19 Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3** – unobservable inputs for the asset or liability.

#### **4.0.20 Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

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

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

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

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

##### **Contingent Liabilities**

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

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

##### **Contingent Assets**

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

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

#### **4.0.21 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.

#### **4.0.22 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.

#### **4.0.23 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.

#### **4.0.24 Council Tax / Non Domestic Rates (NDR) Income**

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing authority the Council acts as an agent. During 2016/17 the Council collected and distributed NDR on behalf of itself, the Government and Cumbria County Council. Council Tax was collected and distributed on behalf of the City Council, the County Council, the Police and Crime Commissioner for Cumbria and local town and parish councils.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year. Business rates accrued income for the year as well as business ratepayers, debtors, creditors and provisions for bad debts and appeals are shared between the Council (40%), Government (50%) and the Police and Crime Commissioner for Cumbria (10%).

Collection Fund Debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund Debtors shown in the balance sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

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

The following Accounting Standards have been issued but have yet to be adopted.

- Amendment to the reporting of Pension Fund Scheme Transaction Costs
- Amendment to the reporting of investment concentration (pension funds)

The effect of these changes will be assessed and where necessary figures will be restated in the Financial Statements for 2017/18.

#### **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 (£45.310million at 31.03.17)	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme for major repairs has been reduced due to the Council directing its limited capital resources more strategically.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by £201,000 for every year that useful lives had to be reduced.
Debtors & Creditors (£6.645million and £7.705million at 31.03.17)	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 2017/18 that differ from the accrual made will result in the difference being funded from the 2017/18 budget.
Pension Liability (£42.029million at 31.03.17)	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 £3.139million
Business Rate Appeals Provision (£1.798million at 31.03.17)	The Business Rates appeals provision is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2016. Appeals are dealt with by the Valuation Office and as such are outside the control of the Council.	If appeals are settled to different terms than those estimated, the effect will be reflected in the Collection Fund in future years.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based upon observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the councils appointed valuers).	The council uses the discounted cash flow (DCF) to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates - adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Asset Valuations for flooded property	Assets have been valued at 31 March and consideration has been given the the impact the December 2015 flooding has had on affected assets. No significant impairments were highlighted by the valuers. Consideration was given to the amount of service interruption to each asset, whether this was permanent or temporary, the fact that assets are fully insured and will be reinstated like for like and the fact that the construction market post-flood resulted in inflated construction costs	Valuations are undertaken annually, and the Council's intention is to re-instate all flooded assets, therefore any impairment would be temporary.

### 4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2016/17:

- Income relating to the administration and payments of Benefits (including Discretionary Housing Payments) was received from Central Government totalling £26,985,917 (2015/16 £28,858,641) with corresponding payments of benefits totalling £27,826,047 (2015/16 £29,834,988). Housing Benefit Overpayment Income of £955,294 was received in 2016/17, (2015/16 £1,127,544).
- Council tax income of £6,992,333 (2015/16 £6,677,000) was credited to the Comprehensive Income and Expenditure Statement.
- Retained Business Rates £4,511,131 (2015/16 £4,137,009).

- The continued Transformation programme of the Council resulted in Termination payments of £438,811 (2015/16 £1,409,773) 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.
- Net Downward revaluations of Property Plant and Equipment of £1.659million (2015/16 £1.035million).
- Net downward revaluations of Investment Property of £2.082million (2015/16 £1.649million upward revaluation).
- Rental income from investment property of £4.057million (2015/16 £4.414million).

#### **4.4 Prior Period Adjustments**

For 2016/17 the Code of Practice has adapted the requirements of *IAS1 Presentation of Financial Statements* by specifying the format of the statements, disclosures and terminology required to be applied in Local Government. In order to satisfy the new requirements, the comparative figures in the Movement in Reserves Statement (MiRS) and the Comprehensive Income and Expenditure Statement (CIES) have been restated. The order of those Statements has also been reviewed with the CIES now appearing prior to the MiRS.

The main changes to these statements are highlighted below for information:

##### **Movement in Reserves**

Total Comprehensive Income and Expenditure Line instead of:

- Surplus/Deficit on provision of Services
- Other Comprehensive Income and Expenditure

Earmarked Reserves line and columns removed

##### **Comprehensive Income and Expenditure Statement**

Cost of Services is now presented on an Organisational Structure basis rather than the CIPFA Statement of Recommended Practice (SERCOP) basis. This has meant that the Cost of Services for 2015/16 has been restated.

The table below shows the original and restated 2015/16 Cost of Services section of the CIES:

	2015/16		
	Expenditure £000	Income £000	Net £000
<b>Original</b>			
Central Services	6,065	(4,209)	1,856
Cultural & Related Services	7,832	(894)	6,938
Environmental & Regulatory Services	7,371	(3,233)	4,138
Planning Services	2,968	(1,671)	1,297
Highways & Transport Services	1,779	(1,624)	155
Housing Services	33,993	(32,616)	1,377
Corporate & Democratic Core	2,312	(46)	2,266
Non Distributed Costs	398	0	398
Exceptional Items (Flood Recovery)	2,474	(2,499)	(25)
	<b>65,192</b>	<b>(46,792)</b>	<b>18,400</b>
<b>Restated</b>			
Community Services	15,537	(5,594)	9,943
Economic Development	2,657	(1,561)	1,096
Corporate Support & Resources	36,411	(34,226)	2,185
Governance & Regulatory Services	7,120	(2,814)	4,306
Corporate Management	993	(98)	895
Exceptional Item - Flooding	2,474	(2,499)	(25)
	<b>65,192</b>	<b>(46,792)</b>	<b>18,400</b>

#### Amounts Reported for Resource Allocation Decisions Note

The Segmental Analysis note (Note 4.12 in 2015/16 Statements) has changed and is replaced with an Expenditure and Funding Analysis (EFA) Note (4.13). The new requirement brings together the funding and accounting basis by service and reconciles the net expenditure chargeable to the general fund to the CIES. This is also shown on an Organisational Structure basis.

### Movement in Reserves Statement

#### 4.5 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. The following sets out a description of the reserves that the adjustments are made against.

##### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

**Capital Receipts Reserve**

The Capital receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

**Capital Grant Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	General Fund balances	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
2016/17	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>											
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)											
Pension Costs	1,599			1,599	(1,599)		(1,599)				0
Council Tax and NDR	(222)			(222)	222				222		0
Holiday Pay	(16)			(16)	16					16	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:											
Depreciation	1,843			1,843	(1,843)			(1,843)			0
Impairment Losses charged to CIES	1,659			1,659	(1,659)			(1,659)			0
Capital Grants and Contributions Applied	(3,047)			(3,047)	3,047			3,047			0
Revenue Expenditure Funded from Capital Under Statute	1,313			1,313	(1,313)			(1,313)			0
Movement in Market Value of Investment Property	2,082			2,082	(2,082)			(2,082)			0
Non Current Assets Written off on disposal or sale	254			254	(254)			(254)			0
<b>Total Adjustments to Revenue Resources</b>	<b>5,465</b>	<b>0</b>	<b>0</b>	<b>5,465</b>	<b>(5,465)</b>	<b>0</b>	<b>(1,599)</b>	<b>(4,104)</b>	<b>222</b>	<b>16</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>											
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(916)	916		0	0						0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(516)			(516)	516			516			0
Capital Expenditure Financed from Revenue Balances	(4,009)			(4,009)	4,009			4,009			0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,441)</b>	<b>916</b>	<b>0</b>	<b>(4,525)</b>	<b>4,525</b>	<b>0</b>	<b>0</b>	<b>4,525</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>											
Use of the Capital Receipts Reserve to finance capital expenditure		(916)		(916)	916			916			0
Application of capital grants to finance capital expenditure			(20)	(20)	20			20			0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(916)</b>	<b>(20)</b>	<b>(936)</b>	<b>936</b>	<b>0</b>	<b>0</b>	<b>936</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(303)</b>	<b>0</b>	<b>303</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments</b>	<b>24</b>	<b>0</b>	<b>(20)</b>	<b>4</b>	<b>(4)</b>	<b>(303)</b>	<b>(1,599)</b>	<b>1,660</b>	<b>222</b>	<b>16</b>	<b>0</b>



	General Fund balances	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
2015/16 - Restated	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>											
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)											
Pension Costs	1,556			1,556	(1,556)		(1,556)				0
Council Tax and NDR	(113)			(113)	113				113		0
Holiday Pay	28			28	(28)					(28)	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:											
Depreciation	1,854			1,854	(1,854)			(1,854)			0
Impairment Losses charged to CIES	1,035			1,035	(1,035)			(1,035)			0
Capital Grants and Contributions Applied	(2,318)			(2,318)	2,318			2,318			0
Revenue Expenditure Funded from Capital Under Statute	636			636	(636)			(636)			0
Movement in Market Value of Investment Property	(1,649)			(1,649)	1,649			1,649			0
Non Current Assets Written off on disposal or sale	1,005			1,005	(1,005)			(1,005)			0
<b>Total Adjustments to Revenue Resources</b>	<b>2,034</b>	<b>0</b>	<b>0</b>	<b>2,034</b>	<b>(2,034)</b>	<b>0</b>	<b>(1,556)</b>	<b>(563)</b>	<b>113</b>	<b>(28)</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>											
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(641)	641		0	0						0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(372)			(372)	372			372			0
Capital Expenditure Financed from Revenue Balances	(1,028)			(1,028)	1,028			1,028			0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(2,041)</b>	<b>641</b>	<b>0</b>	<b>(1,400)</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>1,400</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>											
Use of the Capital Receipts Reserve to finance capital expenditure		(641)		(641)	641			641			0
Application of capital grants to finance capital expenditure			0	0	0			0			0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(641)</b>	<b>0</b>	<b>(641)</b>	<b>641</b>	<b>0</b>	<b>0</b>	<b>641</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(260)</b>	<b>0</b>	<b>260</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>7</b>	<b>(260)</b>	<b>(1,556)</b>	<b>1,738</b>	<b>113</b>	<b>(28)</b>	<b>0</b>

## 4.6 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31 March 2017 £000
<b>Capital:</b>							
Lanes Capital Fund	384	(384)	15	15	0	15	30
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>954</b>	<b>(384)</b>	<b>15</b>	<b>585</b>	<b>0</b>	<b>15</b>	<b>600</b>
<b>Revenue</b>							
EEAC Reserve	43	0	0	43	(43)	0	0
Transformation Reserve	340	(942)	950	348	(198)	0	150
Welfare Reform Reserve	200	0	0	200	0	0	200
Building Control Reserve	94	0	43	137	0	50	187
Cremator Replacement Reserve	290	0	191	481	0	275	756
Conservation Fund	117	0	0	117	(117)	0	0
Car Park Enhancement Reserve	151	(38)	0	113	(48)	42	107
Economic Investment Reserve	128	(21)	0	107	(101)	0	6
City Centre Reserve	42	0	0	42	0	0	42
Repairs and Renewals Reserve	550	(48)	0	502	(288)	0	214
Leisure Reserve	150	(32)	0	118	(38)	0	80
Flooding Earmarked Reserve	0	0	500	500	0	0	500
Revenues & Benefits Reserve	0	0	0	0	0	338	338
BRR Volatility Reserve	39	0	71	110	0	0	110
Prosecutions and Representations	0	0	0	0	0	21	21
Promoting Carlisle Reserve	0	0	0	0	0	30	30
Revenue Grants Reserve	0	0	0	0	0	865	865
<b>Total Revenue Reserves</b>	<b>2,144</b>	<b>(1,081)</b>	<b>1,755</b>	<b>2,818</b>	<b>(833)</b>	<b>1,621</b>	<b>3,606</b>
<b>Total Earmarked Reserves</b>	<b>3,098</b>	<b>(1,465)</b>	<b>1,770</b>	<b>3,403</b>	<b>(833)</b>	<b>1,636</b>	<b>4,206</b>
<b>General Reserves</b>							
General Fund Balance	4,732	(3,835)	2,613	3,510	(1,663)	1,242	3,089
Carry Forward Reserve	0	0	1,078	1,078	(124)	151	1,105
<b>Total General Fund Balances</b>	<b>7,830</b>	<b>(5,300)</b>	<b>5,461</b>	<b>7,991</b>	<b>(2,620)</b>	<b>3,029</b>	<b>8,400</b>
<b>Deferred Credits</b>	20	0	0	20	0	0	20
<b>Capital Grant Unapplied</b>	191	0	0	191	(20)	0	171
<b>Total Usable Reserves</b>	<b>8,041</b>	<b>(5,300)</b>	<b>5,461</b>	<b>8,202</b>	<b>(2,640)</b>	<b>3,029</b>	<b>8,591</b>

## 4.7 Nature and Purpose of Usable 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 Chief Finance Officer.

**(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) Usable 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.

An explanation of Unusable Reserves are detailed in Note 4.43.

## **Comprehensive Income and Expenditure**

### **4.8 Exceptional Items**

The Flooding of December 2015 continues to have a significant effect upon the Council. The anticipated cost to reinstate Council assets alone is likely to cost millions of pounds once works are completed. The Council's comprehensive insurance cover is being pursued to recover as much of these costs as possible. Any expenditure not recoverable from insurers will remain to be met from City Council resources. The Council has currently set aside £500,000 from its own reserves to meet emergency expenditure, however, as yet all uninsured costs in 2016/17 (£225,830) have been met from underspends in the general fund budget. All expenditure incurred by the Council has been included within the Comprehensive Income and Expenditure Statement as an exceptional item of expenditure.

### **4.9 Other Operating Expenditure**

2015/16 £000		Note	2016/17 £000
494 (89)	Parish Council Precepts (Gains)/Losses on disposal of non-current assets	4.27	557 (185)
<b>405</b>	<b>Total</b>		<b>372</b>

### **4.10 Financing and Investment Income and Expenditure**

2015/16 £000		Note	2016/17 £000
1,303	Interest payable and similar charges		1,303
1,415	Net Interest on the defined benefit liability (pension assets)	4.46	1,346
(322)	Interest receivable and similar income		(272)
(4,996)	Income and Expenditure in relation to investment properties and changes in their current value	4.12	(2,025)
275	(Surplus)/Deficit on Trading Undertakings	4.17	67
<b>(2,325)</b>	<b>Total</b>		<b>419</b>

### **4.11 Taxation and Non Specific Grant Income**

2015/16 £000		Note	2016/17 £000
(6,677)	Council Tax Income		(6,992)
(4,137)	Non-Domestic Rates		(4,510)
(4,150)	Non-Ring-fenced Government Grants	4.23	(3,961)
(1,682)	Recognised Capital Grants & Contributions	4.23	(1,871)
<b>(16,646)</b>	<b>Total</b>		<b>(17,334)</b>

## 4.12 Investment Properties

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

2015/16 £000		2016/17 £000
(4,414)	Rental Income from investment property	(4,057)
718	Direct operating expenses arising from investment property that generated rental income during the period	450
(1,649)	Change in Fair Value of Investment Properties	2,082
349	(Gains)/Losses on Disposal of Investment Properties	(500)
<b>(4,996)</b>	<b>Net (Gain)/Loss</b>	<b>(2,025)</b>

## 4.13 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16 Restated				2016/17		
Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
8,600	1,343	9,943	Community Services	8,448	976	9,424
922	174	1,096	Economic Development	1,354	209	1,563
3,453	(1,267)	2,186	Corporate Support & Resources	3,094	(2,009)	1,085
34	4,271	4,305	Governance & Regulatory Services	353	4,393	4,746
(1,001)	1,896	895	Corporate Management	(351)	1,404	1,053
(33)	8	(25)	Exceptional Item - Flood	226	(1,937)	(1,711)
<b>11,975</b>	<b>6,425</b>	<b>18,400</b>	<b>Net Cost of Services</b>	<b>13,124</b>	<b>3,036</b>	<b>16,160</b>
		(18,568)	<b>Other Income &amp; Expenditure</b>			(16,545)
<b>11,975</b>	<b>6,425</b>	<b>(168)</b>	<b>Surplus or Deficit</b>	<b>13,124</b>	<b>3,036</b>	<b>(385)</b>
<b>7,830</b>			<b>Opening General Fund Balance</b>	<b>7,991</b>		
<b>168</b>			<b>Less/Plus Surplus or (Deficit) on General Fund</b>	<b>385</b>		
<b>(7)</b>			<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>24</b>		
<b>7,991</b>			<b>Closing General Fund Balance at 31 March</b>	<b>8,400</b>		

## 4.14 Adjustments between Funding and Accounting Basis

<b>2016/17</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note a) £000</b>	<b>Net change for the Pensions Adjustments (Note b) £000</b>	<b>Other Differences (Note c) £000</b>	<b>Total Adjustments £000</b>
Community Services	741	356	(121)	976
Economic Development	(5)	110	104	209
Corporate Support & Resources	0	299	(2,308)	(2,009)
Governance & Regulatory Services	1,501	252	2,640	4,393
Corporate Management	1,844	(764)	324	1,404
Exceptional Item (Flood)	0	0	(1,937)	(1,937)
<b>Net Cost of Services</b>	<b>4,081</b>	<b>253</b>	<b>(1,298)</b>	<b>3,036</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>4,081</b>	<b>253</b>	<b>(1,298)</b>	<b>3,036</b>

<b>2015/16 Comparative (Restated)</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note a) £000</b>	<b>Net change for the Pensions Adjustments (Note b) £000</b>	<b>Other Differences (Note c) £000</b>	<b>Total Adjustments £000</b>
Community Services	972	428	(57)	1,343
Economic Development	(11)	137	48	174
Corporate Support & Resources	0	448	(1,715)	(1,267)
Governance & Regulatory Services	75	339	3,857	4,271
Corporate Management	1,854	(1,217)	1,259	1,896
Exceptional Item (Flood)	0	8	0	8
<b>Net Cost of Services</b>	<b>2,890</b>	<b>143</b>	<b>3,392</b>	<b>6,425</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>2,890</b>	<b>143</b>	<b>3,392</b>	<b>6,425</b>

**(a) Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxations and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**(b) Net Change for the Pension Adjustments**

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For Services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**(c) Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and Non Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in the future Surpluses or Deficits on the Collection Fund.

**4.15 Segmental Income**

Income received on a segmental basis is analysed below:

2015/16 £000		Note	2016/17 £000
(5,594)	Community Services		(6,412)
(1,561)	Economic Development		(1,686)
(34,226)	Corporate Support & Resources		(32,466)
(2,814)	Governance and Regulatory Services		(3,578)
(98)	Corporate Management		(80)
(2,499)	Exceptional Item (Flood)		(5,013)
<b>(46,792)</b>	<b>Total</b>		<b>(49,235)</b>



## 4.16 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2015/16 £000		Note	2016/17 £000
	<b>Expenditure</b>		
18,687	Employee Benefit expenses		16,628
46,228	Other Service expenses		47,815
745	Support Services expenses		408
2,890	Depreciation, amortisation and impairment		3,502
1,303	Interest payments		1,303
494	Precepts and levies		557
1,108	Gains on the disposal of assets		277
(1,649)	Change in Fair Value of Investment Property		2,082
<b>69,806</b>	<b>Total Expenditure</b>		<b>72,572</b>
	<b>Income</b>		
(13,354)	Fee, charge and other service income		(13,958)
(322)	Interest and Investment Income		(272)
(6,700)	Income from Council Tax, Non-Domestic Rates		(7,155)
(46,471)	Government Grants and Contributions		(48,327)
(2,382)	Recharges		(2,306)
(745)	Gain or Loss in Disposal of Non-Current Assets & Investment Property		(939)
<b>(69,974)</b>	<b>Total Income</b>		<b>(72,957)</b>
<b>(168)</b>	<b>Surplus or Deficit on the Provision of Services</b>		<b>(385)</b>

## 4.17 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 2015/16 £000	Activity	Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	(Surplus) / Deficit 2016/17 £000
67	Building Cleaning & Maintenance	429	(471)	(42)
71	Transport	415	(345)	70
7	Parking Patrols & Cash Collection	94	(93)	1
0	Grounds	191	(191)	0
130	Other	57	(19)	38
<b>275</b>	<b>Total Internal Trading</b>	<b>1,186</b>	<b>(1,119)</b>	<b>67</b>

## 4.18 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 (£6.992million) 2015/16 (£6.677million).

The Council also acts as an agent in collecting Non Domestic Rates (NDR) on behalf of the Government and County Council under the Business Rate Retention Scheme. Only the income received due to the City Council share (£4.510million); 2015/16 (£4.137million) 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.

#### 4.19 Cumbria Business Rates Pool

During 2016/17, the Council participated in the Cumbria Business Rates Pool in order to benefit the Cumbria area by retaining any levies as a result of growth in Business Rates. The pool is made up of the County Council, Carlisle City Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council and South Lakeland District Council.

The amount of retained growth kept by the Pool and redistributed is as follows:

2015/16 £000		2016/17 £000
	<b>Retained Levy</b>	
539	Allerdale Borough Council	671
45	Barrow Borough Council	56
657	Carlisle City Council	865
157	Eden District Council	236
938	South Lakeland District Council	572
<b>2,336</b>	<b>Total Retained Levy</b>	<b>2,400</b>
	<b>Pooling Distribution of Retained Levy</b>	
246	Allerdale Borough Council	299
46	Barrow Borough Council	51
289	Carlisle City Council	372
78	Eden District Council	109
390	South Lakeland District Council	247
826	Cumbria County Council	848
461	Volatility Reserve	474
<b>2,336</b>	<b>Total</b>	<b>2,400</b>

The distribution of the retained levy for the Council is shown within Business Rate Retention income in the Comprehensive Income and Expenditure Statement, along with the Council's own share of the growth achieved in the year (£864,897). The Council's share of the volatility reserve (£110,000) is held on the balance sheet as an earmarked reserve

#### 4.20 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 2016/17 are as follows:

2015/16 £000		2016/17 £000
252	Type of Allowance	250
85	Basic Allowance	88
9	Special Responsibility Allowance	22
	Conference/Other Allowances	
<b>346</b>	<b>Total</b>	<b>360</b>

## 4.21 Officers' Remuneration

The Accounts and Audit Regulations 2015 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 2015 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					
	2016/17	Given Notice During Year	Left During Year	2015/16	Given Notice During Year	Left During Year
Between £50,000 and £54,999	6	3	4	5	2	0
Between £55,000 and £59,999	3	0	2	2	2	0
Between £60,000 and £64,999	0	0	0	4	3	0
Between £65,000 and £69,999	1	1	1	2	1	0
Between £70,000 and £74,999	2	0	0	2	2	0
Between £75,000 and £79,999	0	0	0	1	1	0
Between £80,000 and £84,999	1	1	1	1	1	0
Between £85,000 and £89,999	0	0	0	0	0	0
Between £90,000 and £94,999	1	0	0	2	1	0
Between £100,000 and £104,999	0	0	0	1	1	0
Between £110,000 and £114,999	0	0	0	1	0	0
Between £115,000 and £119,999	1	0	0	0	0	0
Between £125,000 and £129,999	0	0	0	1	1	0
Between £145,000 and £149,999	0	0	0	1	1	0
<b>Total Number of Employees (Including Senior Employees)</b>	<b>15</b>	<b>5</b>	<b>8</b>	<b>23</b>	<b>16</b>	<b>0</b>

The figures above show numbers given notice during the year, many of these relate to redundancies that were agreed in 2015/16, but the employees actual leaving date was during 2016/17. In these circumstances the costs associated with the decision to make redundancies were accrued into the 2015/16 accounts.

Post	Note	Salaries, fees & allowances	Payments for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2016/17		£000	£000	£000	£000	£000	£000
Chief Executive		104	0	12	116	14	130
Deputy Chief Executive		84	0	8	92	11	103
Corporate Director of Governance & Regulatory Services	1	64	0	7	71	9	80
Corporate Director of Economic Development	1	64	0	6	70	9	79
Chief Finance Officer	1	56	0	0	56	8	64
Director of Resources	2	35	0	3	38	5	43
Director of Local Environment	3	4	0	0	4	0	4
<b>Total</b>		<b>411</b>	<b>0</b>	<b>36</b>	<b>447</b>	<b>56</b>	<b>503</b>

Note 1: A restructure of the Senior Management Team saw the Director of Governance re-designated as Corporate Director of Governance and Regulatory Services and the Director of Economic Development re-designated Corporate Director of Economic Development. The Chief Finance Officer is also a member of the Senior Management Team.

Note 2: The Director of Resources left post on 31 October 2016. Costs associated with this departure were accrued into 2015/16 and are shown in the comparative information below.

Note 3: The Director of Local Environment left post on 22 April 2016. Costs associated with this departure were accrued into 2015/16 and are shown in the comparative information below.

Post	Note	Salaries, fees & allowances	Payments for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2015/16		£000	£000	£000	£000	£000	£000
Chief Executive		101	0	10	111	14	125
Deputy Chief Executive		84	0	8	92	11	103
Director of Governance		59	0	6	65	8	73
Director of Economic Devt.		59	0	5	64	8	72
Director of Local Environment		59	40	5	104	8	112
Director of Resource		59	85	5	149	8	157
<b>Total</b>		<b>421</b>	<b>125</b>	<b>39</b>	<b>585</b>	<b>57</b>	<b>642</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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	3	0	16	5	19	5	207	61
£20,001 - £40,000	0	1	10	1	10	2	297	60
£40,001 - £60,000	0	0	6	1	6	1	299	42
£60,001 - £80,000	0	0	1	2	1	2	76	128
£80,001 - £100,000	0	0	3	0	3	0	261	0
£100,001 - £120,000	0	0	1	0	1	0	102	0
£140,001 - £160,000	0	0	0	1	0	1	0	148
£160,001 - £180,000	0	0	1	0	1	0	167	0
<b>Total</b>	<b>3</b>	<b>1</b>	<b>38</b>	<b>10</b>	<b>41</b>	<b>11</b>	<b>1,409</b>	<b>439</b>

## 4.22 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.

2015/16 £000		2016/17 £000
54	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	53
11	Fees payable to the Grant Thornton for the certification of grant claims and returns	14
<b>65</b>	<b>Total</b>	<b>67</b>

## 4.23 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16 £000		2016/17 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<b>Non Ringfenced Government Grants</b>	
2,299	Revenue Support Grant	1,590
1,712	New Homes Bonus	2,188
0	Rural Services Delivery Grant	183
139	Council Tax Freeze Grant	0
<b>4,150</b>	<b>Total</b>	<b>3,961</b>
	<b>Recognised Capital Grants &amp; Contributions</b>	
1,048	Industrial Estates Grant	1,158
89	Play Areas & Open Spaces Contribution	223
0	Public Realm (S106)	12
290	Castle Way Public Realm (S106)	0
0	Cycleway (S106)	12
256	Disabled Facilities Grant	422
12	Tennis Facilities	0
(13)	Roman Gateway	0
0	Vehicles & Equipment contributions	44
<b>1,682</b>	<b>Total</b>	<b>1,871</b>
	<b>Credited to Services</b>	
90	Economic Regeneration	242
27	Supporting Vulnerable People	568
28,859	Housing Benefit Subsidy	26,986
7	Benefits	390
1,556	Other Grants	3,544
636	Revenue Expenditure funded by Capital	1,196
<b>31,175</b>	<b>Total</b>	<b>32,926</b>

## 4.24 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 4.13 on reporting for

resource allocation decisions. Grant receipts receivable at 31 March 2017 are shown in Note 4.23. As at 31 March 2017, the balance of Creditors owing to Central Government departments was £1.986million. The balance of debtors owed from Central Government departments was £1.624million.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2016/17 is shown in Note 4.20. 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 2016/17.

Twenty Members declared an interest in Community Centres around the Carlisle area. The Council paid £229,300 to Community Centres during 2016/17.

2015/16 £000		2016/17 £000
16	Belah Community Centre	11
22	Botcherby Community Centre	18
36	Brampton Community Centre	30
31	Currock Community Centre	21
18	Denton Holme Community Centre	14
14	Greystone Community Centre	9
36	Harraby Community Centre	25
45	Longtown Community Centre	38
48	Morton Community Centre	40
18	Petteril Bank Community Centre	12
12	Yewdale Community Centre	11
<b>296</b>	<b>Grants paid to Community Centres</b>	<b>229</b>

### Officers

During 2016/17 17 officers who are considered to be key management personnel were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2016/17. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2016/17.

### Other Public Bodies

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.26 to the Financial Statements. The balance owed to the Pension fund at 31 March, and shown as a creditor in the balance sheet was £300,754.

## **4.25 Termination Benefits**

The Council terminated the contracts of a number of employees during 2016/17, incurring liabilities of £438,811 (£1,409,773 in 2015/16 to 41 officers). This total is payable to 11 officers from the Council who were made redundant as part of the Council's Transformation process.

## **4.26 Pension Costs**

In 2016/17, the City Council paid an employer's contribution of £1,403,433 into the Cumbria County Council Pension Fund, representing 13.6% plus £1,075,700 deficit funding (2015/16:

£1,549,279 representing 13.6% and £1,022,600 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2014 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2014. 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 2016/17 the value of these benefits amounted to £218,000 representing 3.9% of pensionable pay (2015/16 £449,126 and 3.9% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2015/16 £000		2016/17 £000
2,723	Current Service Cost	2,237
52	Administration Expenses	56
589	Curtailment Cost	886
(4,034)	Interest on Plan Assets	(4,421)
5,449	Pension Interest Costs	5,767
<b>4,779</b>	<b>Total</b>	<b>4,525</b>
(3,223)	Contributions paid to Pension Scheme	(2,926)
<b>1,556</b>	<b>Contributions (to) / from Pension Reserve</b>	<b>1,599</b>

#### 4.27 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 2016/17 is as follows: -

2015/16 £000		2016/17 £000
(270)	Preserved Right To Buy Sales	(195)
181	Other	10
<b>(89)</b>	<b>Total</b>	<b>(185)</b>

#### 4.28 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 2016/17 is as follows: -



2015/16				2016/17		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
522	(522)	0	Disabled Facilities Grants	541	(541)	0
0	0	0	Harraby Community Campus	500	(500)	0
114	(114)	0	Other	272	(155)	(117)
<b>636</b>	<b>(636)</b>	<b>0</b>	<b>Total</b>	<b>1,313</b>	<b>(1,196)</b>	<b>(117)</b>

## 4.29 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.

## 4.30 Revaluations Charged to CIES

During 2016/17 the value of Non-Current Assets that were revalued and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £3.741million (2015/16: £0.614million). This was split between investment properties £2.082million (downward revaluation) (2015/16: £1.649million upward revaluation) and other items of Property, Plant and Equipment and surplus assets £1.659m (downward revaluation) (2015/16: £1.035million downward revaluation). Change in current value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.10. Movements in other Property, Plant and Equipment are shown in the Comprehensive Income and Expenditure Account within Net cost of Services. The table below shows the service line that all downward revaluations were originally charged to.

Restated 2015/16 £000		2016/17 £000
972	Community Services	742
(12)	Economic Development	(5)
75	Governance and Regulatory Services	922
<b>1,035</b>	<b>Total Included in Net Cost of Services</b>	<b>1,659</b>

## 4.31 Shared Services

During 2016/17 the Council continued to share services for Internal Audit. The County Council is the host for the Internal Audit shared service with partners, Carlisle City Council and Copeland Borough Council and the Police and Crime Commissioner for Cumbria. The costs and income associated with all shared services are shown in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This agreement was terminated on 31 March 2017 with the Council establishing an in-house internal audit team from 1 April 2017.

A shared service still remains in operation in respect of the Revenues and Benefits Systems and Controls team and also for Revenues and Benefits Information Technology.

**Balance Sheet****4.32 Property Plant and Equipment**

2016/17	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 2016	200	30,080	14,952	4,365	3,951	12	1,664	55,224
Additions/Enhancements	0	1,350	2,562	49	20	0	509	4,490
Disposals	0	(16)	(2,416)	0	0	0	(16)	(2,448)
Reclassifications	0	0	0	0	0	0	0	0
Revaluations Taken to Revaluation Reserve	0	40	0	0	0	0	0	40
Revaluations Charged to Surplus/Deficit on Provision of Services 2016/17	0	(1,340)	0	0	0	0	(579)	(1,919)
Valuation as at 31 March 2017	200	30,114	15,098	4,414	3,971	12	1,578	55,387
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2016	0	(11)	(10,801)	(645)	0	0	0	(11,457)
Depreciation Charge to CIES 2016/17	(5)	(921)	(810)	(71)	0	0	0	(1,807)
Depreciation on Disposals	0	0	2,399	0	0	0	0	2,399
Depreciation w/out to Revaluation Reserve	5	659	0	0	0	0	0	664
Depreciation w/out to Surplus/Deficit on Provision of Services	0	260	0	0	0	0	0	260
Accumulated Dep'n at 31 March 2017	0	(13)	(9,212)	(716)	0	0	0	(9,941)
<b>Impairments</b>								
Accumulated Impairment 1 April 2016	0	0	(136)	0	0	0	0	(136)
Accumulated Impairments at 31 March 2017	0	0	(136)	0	0	0	0	(136)
<b>Net Book Value at 31 March 2017</b>	<b>200</b>	<b>30,101</b>	<b>5,750</b>	<b>3,698</b>	<b>3,971</b>	<b>12</b>	<b>1,578</b>	<b>45,310</b>
<b>Net Book Value at 31 March 2016</b>	<b>200</b>	<b>30,069</b>	<b>4,015</b>	<b>3,720</b>	<b>3,951</b>	<b>12</b>	<b>1,664</b>	<b>43,631</b>
<b>Nature of Asset holding</b>								
Owned	200	30,101	5,750	3,698	3,971	12	1,578	45,310
	<b>200</b>	<b>30,101</b>	<b>5,750</b>	<b>3,698</b>	<b>3,971</b>	<b>12</b>	<b>1,578</b>	<b>45,310</b>
<b>Historic Cost Valuation</b>								
Net Book Value 31 March 2017	153	21,143	5,750	3,698	3,971	12	1,176	35,903
Net Book Value 31 March 2016	158	21,507	4,015	3,720	3,951	12	1,262	34,625

2015/16	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 2015	200	29,775	15,751	4,063	3,931	138	590	54,448
Additions/Enhancements	0	1,147	1,006	302	0	12	0	2,467
Disposals	0	(135)	(1,805)	0	0	(138)	0	(2,078)
Reclassifications	0	(540)	0	0	20	0	1,144	624
Revaluations Taken to Revaluation Reserve	0	1,078	0	0	0	0	0	1,078
Revaluations Charged to Surplus/Deficit on Provision of Services 2015/16	0	(1,245)	0	0	0	0	(70)	(1,315)
Valuation as at 31 March 2016	200	30,080	14,952	4,365	3,951	12	1,664	55,224
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2015	0	(70)	(11,462)	(585)	0	0	0	(12,117)
Depreciation Charge to CIES 2015/16	(6)	(889)	(852)	(60)	0	0	0	(1,807)
Depreciation on Disposals	0	8	1,513	0	0	0	0	1,521
Depreciation w/out to Revaluation Reserve	6	627	0	0	0	0	0	633
Depreciation w/out to Surplus/Deficit on Provision of Services	0	313	0	0	0	0	0	313
Accumulated Dep'n at 31 March 2016	0	(11)	(10,801)	(645)	0	0	0	(11,457)
<b>Impairments</b>								
Accumulated Impairment 1 April 2015	0	0	(136)	0	0	0	0	(136)
Accumulated Impairments at 31 March 2016	0	0	(136)	0	0	0	0	(136)
<b>Net Book Value at 31 March 2016</b>	<b>200</b>	<b>30,069</b>	<b>4,015</b>	<b>3,720</b>	<b>3,951</b>	<b>12</b>	<b>1,664</b>	<b>43,631</b>
<b>Net Book Value at 31 March 2015</b>	<b>200</b>	<b>29,705</b>	<b>4,153</b>	<b>3,478</b>	<b>3,931</b>	<b>138</b>	<b>590</b>	<b>42,195</b>
<b>Nature of Asset holding</b>								
Owned	200	30,069	4,015	3,720	3,951	12	1,664	43,631
	<b>200</b>	<b>30,069</b>	<b>4,015</b>	<b>3,720</b>	<b>3,951</b>	<b>12</b>	<b>1,664</b>	<b>43,631</b>
<b>Historic Cost Valuation</b>								
Net Book Value 31 March 2016	158	21,507	4,015	3,720	3,951	12	1,102	34,465
Net Book Value 31 March 2015	164	22,188	4,153	3,478	3,931	138	590	34,642

**(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 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £2,268,000. Similar commitments at 31 March 2016 were £971,000. The major commitments are:

2015/16 £000		2016/17 £000
177	Improvement Grant Commitments	220
76	Arts Centre	0
596	Durranhill Industrial Estate	150
0	Cycle Track	636
0	Reinstatement of Flooded Properties	713
122	Other Capital Commitments	549
<b>971</b>		<b>2,268</b>

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

In 2016/17, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

**4.33 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 an annual revaluation programme. Valuations for 2016/17 were carried out by B Vernon (Senior Estates Surveyor) RICS, T M Hargraves (Hyde Harrington), BSc FRICS and RA Richardson (Hyde Harrington) BSc (Hons) MRICS, RICS as at 31 March 2017. Community Assets, Vehicles, Plant and Equipment and Infrastructure assets are all held at Historic Cost and are not subject to revaluations.

The table below shows the number and types of asset the Council reports on its balance sheet:

31 March 2016		31 March 2017
1	Civic Centre	1
11	Depots and Workshops	11
12	Off Street Car Parks	13
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
4	Hostels/Homeshares	4
1	Crematorium	1
75	Industrial Units	75
12	Community Centres	12
7	Industrial Estates	7

#### 4.34 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 2016/17 were carried out by B Vernon (Senior Estates Surveyor) RICS, T M Hargraves (Hyde Harrington), BSc FRICS and RA Richardson (Hyde Harrington) BSc (Hons) MRICS, RICS. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

2015/16 £000		2016/17 £000
87,509	Opening Balance at 1 April of Investment Property	92,877
2,214	Additions due to acquisitions	0
2,577	Additions to existing assets	2,193
(448)	Disposals	(205)
(624)	Reclassifications	0
1,649	Net gains or losses from fair value adjustments	(2,082)
<b>92,877</b>	<b>Closing Balance at 31 March of Investment Property</b>	<b>92,783</b>

##### 4.34a Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

2016/17 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2017 £000
Development Land	0	820	13,649	14,469
Retail	0	36,710	4,940	41,650
Industrial Sites	0	2,717	31,837	34,554
Residential	0	93	402	495
Education	0	445	810	1,255
Office Units	0	0	160	160
Airport	0	0	200	200
<b>Total</b>	<b>0</b>	<b>40,785</b>	<b>51,998</b>	<b>92,783</b>

2015/16 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Development Land	0	820	13,573	14,393
Retail	0	37,465	4,744	42,209
Industrial Sites	0	3,132	30,978	34,110
Residential	0	93	447	540
Education	0	455	810	1,265
Office Units	0	0	160	160
Airport	0	0	200	200
<b>Total</b>	<b>0</b>	<b>41,965</b>	<b>50,912</b>	<b>92,877</b>

#### **4.34b Transfers between Levels of the Fair Value hierarchy**

There were no transfers between Levels 1 and 2 during the year.

#### **4.34c Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties**

##### **Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

##### **Significant Unobservable Inputs – Level 3**

The industrial sites located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

#### **4.34d Highest and Best Use of Investment Properties**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

#### **4.34e Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties

#### **4.34f Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)**

<b>2015/16 £000</b>	<b>Assets categorised within Level 3</b>	<b>2016/17 £000</b>
50,965	Opening Balance	50,912
20	Transfers into Level 3	0
(413)	Transfers out of Level 3	0
(2,130)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	150
2,501	Additions/enhancements	936
(31)	Disposals	0
<b>50,912</b>	<b>Closing Balance</b>	<b>51,998</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.



#### **4.34g Quantitative information about Fair Value Measurement in Investment Properties using significant Unobservable Inputs – Level 3**

The table below shows where the income method has been used to measure Fair Value:

	Value as at 31/03/17 £000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Retail	4,940	Investment - Term & Reversion	All Risks Yield (ARY)	4% - 11.0% (4.5% - 11.0%)	Significant changes in ARY as a result of vacancy rates will result in significantly higher or lower fair values
Industrial Sites	31,837	Investment - Term & Reversion	All Risks Yield (ARY)	5.0% - 7.0% (5.0% - 7.0%)	Significant changes in ARY adopted for individual units will result in significantly higher or lower fair value
Education	810	Investment - Term & Reversion	All Risks Yield (ARY)	8.0% - 11.0% (8.5% - 11.0%)	Significant changes in ARY will result in a significantly higher or lower fair value
Office	160	Investment - Term & Reversion	All Risks Yield (ARY)	10.0% - 11.0% (11.0%)	Significant changes in ARY will result in a significantly higher or lower fair value

Other investment properties categorised as Level 3 that have been measured using market conditions are explained below:

	Value as at 31/03/17 £000	Valuation technique used to measure fair value	Valuers comments and sensitivity
Development Land	13,649	Market	The Fair Value measurement of assets of this type is affected significantly by locational factors and lack of direct market comparable evidence. Further unknown factors such as planning and ground conditions and subsequent remediation works can have a significant impact on Fair Value measurement, and could result in a significantly higher or lower fair value.
Airport	200	Market	The Fair Value measurement of this asset is affected significantly by investor perception of windfall income for this asset.
Residential	402	Market	The Fair Value measurement of these assets has been significantly affected by the recent floods and lack of direct market evidence.

#### **4.34h Valuation process for Investment properties**

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out by a combination of internal and external valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

#### **4.35 Surplus Properties**

The fair value of Surplus property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2016/17 were carried out by B Vernon (Senior Estates Surveyor) RICS, T M Hargraves (Hyde Harrington), BSc FRICS and RA Richardson (Hyde Harrington) BSc (Hons) MRICS, RICS. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

**4.35a Fair Value Hierarchy**

Details of the Council's Surplus properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

2016/17 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2017 £000
Development Land	0	200	960	1,160
Retail	0	0	320	320
Residential	0	0	98	98
<b>Total</b>	<b>0</b>	<b>200</b>	<b>1,378</b>	<b>1,578</b>

2015/16 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Development Land	0	200	960	1,160
Retail	0	0	380	380
Residential	0	0	124	124
<b>Total</b>	<b>0</b>	<b>200</b>	<b>1,464</b>	<b>1,664</b>

**4.35b Transfers between Levels of the Fair Value hierarchy**

There were no transfers between Levels 1 and 2 during the year.

**4.35c Highest and Best Use of Surplus Properties**

In estimating the fair value of the authority's surplus properties, the highest and best use of the properties is their current use.

**4.35d Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties****Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

**Significant Unobservable Inputs – Level 3**

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

#### 4.35e Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

2015/16 £000	Assets categorised within Level 3	2016/17 £000
590	Opening Balance	1,464
964	Transfers into Level 3	0
(20)	Transfers out of Level 3	0
0	Additions/Enhancements	509
(70)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(579)
0	Disposals	(16)
<b>1,464</b>	<b>Closing Balance</b>	<b>1,378</b>

Gains or losses arising from changes in the fair value of the surplus property are recognised in either the Net Cost of Services in the Comprehensive Income and Expenditure Statement or the Revaluation Reserve on the Balance Sheet.

### 4.36 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 2015	817	14,000	950	1,300	500	1,550	385	19,502
Additions	34	0	0	0	0	0	0	34
Revaluations	(34)	0	0	0	0	0	0	(34)
<b>Valuation as at 31 March 2016</b>	<b>817</b>	<b>14,000</b>	<b>950</b>	<b>1,300</b>	<b>500</b>	<b>1,550</b>	<b>385</b>	<b>19,502</b>
<b>Cost or Valuation</b>								
Valuation as at 1 April 2016	817	14,000	950	1,300	500	1,550	385	19,502
Additions	26	0	0	0	0	0	0	26
<b>Valuation as at 31 March 2017</b>	<b>843</b>	<b>14,000</b>	<b>950</b>	<b>1,300</b>	<b>500</b>	<b>1,550</b>	<b>385</b>	<b>19,528</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, Eterby

**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. There is one significant item within this part of the collection that is valued at £500,000.

**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

#### **4.37 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 18th and 19th 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 19th century fossil collection

**Cumbria Biodiversity Data Centre** (570,000 records)

Tullie House operates the local biodiversity data centre for Cumbria, in partnership with a number of funding organisations. The computer database presently includes some 50,000 records deriving from specimens in the collections.

**Social History****a) Scope of Collections** (c.22,000 items)

A wide-ranging collection of objects, ephemera and photographs (plus a limited range of oral history recordings and audio visual footage) relating to personal, community and working life in Carlisle district from the 1644-5 Civil War onwards. This includes a large collection of men's, ladies', children's and infants' costume and accessories dating from 1700 to the present.

The collections include a good general representation of working, domestic and recreational activities. Material includes items from the 1745 Jacobite Rising, 17th/18th century silver of the city and its trade guilds, coins and medallions from 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). The Council's policy on acquisition, disposals and management of Heritage assets provides further information on this.

## 4.38 Financial Instruments

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

2015/16			2016/17	
Long Term £000	Current £000		Long Term £000	Current £000
15,000	483	Borrowing	15,000	482
949	3,647	Operational Creditors	1,213	2,472
<b>15,949</b>	<b>4,130</b>	<b>Total</b>	<b>16,213</b>	<b>2,954</b>

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

2015/16			2016/17	
Long Term £000	Current £000		Long Term £000	Current £000
0	12,530	Investments	0	10,513
12	4,194	Operational Debtors	0	4,847
6	0	Car Loans	4	0
0	750	Cash at Bank and Cash equivalents	0	2,690
167	0	Transferred Debt	155	0
<b>185</b>	<b>17,474</b>	<b>Total</b>	<b>159</b>	<b>18,050</b>

### (ii) Loans and Receivables held at Fair Value

2015/16			2016/17	
Long Term £000	Current £000		Long Term £000	Current £000
3,281	0	Investments	3,230	0
<b>3,281</b>	<b>0</b>	<b>Total</b>	<b>3,230</b>	<b>0</b>



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

2015/16			2016/17	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
4,194	3,647	Value as per Note (a) & (b) above	4,847	2,472
6	0	Car Loans	4	0
1,658	4,213	Non-Contractual Items	1,794	5,233
<b>5,858</b>	<b>7,860</b>	<b>Total per Balance Sheet</b>	<b>6,645</b>	<b>7,705</b>

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

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2016/17 relating to financial instruments are made up as follows:

2016/17	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,303	0	0	1,303
Impairment Losses	0	201	0	201
<b>Interest Payable and Similar Charges</b>	<b>1,303</b>	<b>201</b>	<b>0</b>	<b>1,504</b>
Interest Received	0	(124)	(148)	(272)
(Gains)/Losses on Derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>(124)</b>	<b>(148)</b>	<b>(272)</b>
<b>Net (Gain)/Loss for year</b>	<b>1,303</b>	<b>77</b>	<b>(148)</b>	<b>1,232</b>

Comparative information for financial year 2015/16 is as follows:

2015/16	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,303	0	0	1,303
Impairment Losses	0	258	0	258
<b>Interest Payable and Similar Charges</b>	<b>1,303</b>	<b>258</b>	<b>0</b>	<b>1,561</b>
Interest Received	0	(165)	(157)	(322)
(Gains)/Losses on Derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>(165)</b>	<b>(157)</b>	<b>(322)</b>
<b>Net (Gain)/Loss for year</b>	<b>1,303</b>	<b>93</b>	<b>(157)</b>	<b>1,239</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 2017
- 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.
- The valuation basis adopted in this report uses **Level 2** Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

31 March 2016			31 March 2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
20,741	25,154	Financial Liabilities	19,167	23,672

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 2016			31 March 2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
17,659	17,667	Loans & Receivables	18,209	18,215

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) Fair Values of Financial Assets**

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

2015/16 £000	Financial Assets Measured at Fair Value	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2016/17 £000
3,281	Financial Instruments classified as Available for Sale	Level 1	Unadjusted quoted priced in active markets for identical shares	3,230
<b>3,281</b>	<b>Total</b>			<b>3,230</b>

**(g) 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.

**(h) 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 £6million of its surplus balances to any one appropriately credit rated institution, 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 2017 £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	16,433	Nil	Nil	0
Gross Operational Debtors	6,378	36.60%	24.00%	1,531
				<b>1,531</b>

The percentage defaults shown in the above table are high due to the potential bad debt provision of £1,478,000 in relation to Housing Benefit overpayments. The remainder of the bad debt provision relates to sundry debtors and car park fines.

The Council does not expect any losses in respect of non-performance by counter-parties in relation to its wholesale deposits.

The Council does not generally allow credit to its customers. The current value at 31 March 2017 of outstanding debt excluding Housing Benefit Overpayments is £1.316million. Of this amount £0.716million is past its due date for payment. The aged-debt analysis of this sum is as follows:

2015/16 £000		2016/17 £000
320	Less than 3 months	533
12	3-5 months	128
45	More than 5 months	55
<b>377</b>	<b>Total</b>	<b>716</b>

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

2015/16 £000		2016/17 £000
1,302	Opening Balance	1,468
(92)	Write Offs in Year	(138)
258	(Decrease)/Increase to Provisions	201
<b>1,468</b>	<b>Closing Balance</b>	<b>1,531</b>

**(i) 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 2017.

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

2015/16 £000		2016/17 £000
483	Less than 1 year	482
0	1 - 2 years	0
15,000	2 - 5 years	15,000
0	Over 5 years	0
<b>15,483</b>	<b>Total</b>	<b>15,482</b>

**(j) Market Risk**

The Council is exposed to some risk due to movements in interest rates on its loans and investments. As nearly all of the Council's borrowing and investments have been placed at fixed rates, this risk has to a large extent been minimised. Nevertheless, there remain some risks:

- An increase in interest rates will result in a fall in the fair value of borrowings and investments.
- A decrease in interest rates will result in a rise in the fair value of borrowings and investments.
- The value of interest received from investments will rise or fall depending on increases and decreases in interest rates and will impact on the Comprehensive Income and Expenditure Statement.

Borrowings and short term 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 (Excluding Property Fund)	(20)
Decrease in Fair Value of Borrowings	(503)

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 2016/17.

#### 4.39 Short Term Debtors

2015/16 £000		2016/17 £000
1,644	Central Government Bodies	1,624
1,269	Other Local Authorities	618
4,575	Bodies external to government	6,097
(1,630)	Bad debt provisions	(1,694)
<b>5,858</b>	<b>Total</b>	<b>6,645</b>

#### 4.40 Cash and Cash Equivalents

2015/16 £000		2016/17 £000
435	Cash and Bank	1,690
315	Short Term Investments with maturity of less than 3 months	1,000
<b>750</b>	<b>Total</b>	<b>2,690</b>

## 4.41 Short and Long Term Creditors

2015/16 £000	Short Term Creditors	2016/17 £000
(1,905)	Central Government Bodies	(1,986)
(1,325)	Other Local Authorities	(1,419)
(18)	Public Corporations and trading funds	0
(4,424)	Other Entities and Individuals	(4,128)
(188)	Employee Benefits	(172)
<b>(7,860)</b>	<b>Total</b>	<b>(7,705)</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 £1,213,135 in 2016/17 (2015/16: £948,725).

## 4.42 Provisions

The movement in the level of provisions held by the Council during 2016/17 is as follows: -

	1 April 2016 £000	Additions in year £000	Used in year £000	Unused Amounts reversed £000	31 March 2017 £000
Insurance Claims	480	104	(179)	0	405
Municipal Mutual Insurance (MMI)	26	0	0	0	26
Cemeteries Perpetuity Fund	75	0	0	0	75
Land Charges Provision	151	7	(26)	0	132
Rickergate Properties Ringfenced Account	186	34	(16)	0	204
Revenues & Benefits Provision	325	0	0	(325)	0
Other Provisions	82	5	(4)	0	83
<b>Total</b>	<b>1,325</b>	<b>150</b>	<b>(225)</b>	<b>(325)</b>	<b>925</b>
Business Rate Appeals (City Council Share)	841	142	(264)	0	719
<b>Total (All Provisions)</b>	<b>2,166</b>	<b>292</b>	<b>(489)</b>	<b>(325)</b>	<b>1,644</b>
<b>Split as:</b>					
Falling due within 1 year	1,347	246	(443)	0	1,150
Falling Due after 1 year	819	46	(46)	(325)	494

### (i) Insurance Claims

The Council has established a provision totalling £405,000 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 2017 and the insurance provision will therefore cover this value in full. However it is expected that £228,000 will be reimbursed by the

Council's insurers and through other third party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

**(ii) Municipal Mutual Insurance (MMI)**

The Council has a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. The liabilities of MMI Ltd. were not, however, transferred to Zurich Municipal and the company is exploring ways in which these liabilities can be transferred to another insurance company to enable MMI Ltd. to be wound up. During 2012/13 the Scheme of Arrangement was triggered giving rise to a liability for the Council. At 31 March 2016 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £881,605. An initial levy of 15% was set by the Scheme administrators, Ernst and Young in January 2014, and this was increased to 25% in April 2016 in order to achieve a solvent run off for MMI. A total levy of £220,401 has been paid by the Council to date.

**(iii) Other Provisions**

**a. Business Rate Retention Appeals**

An appeals provision has been established in accordance with the new scheme. The City Council share of the outstanding appeals is £719,201 and this is also reflected in the Collection Fund Statement. The overall provision for appeals within the Collection Fund is £1,798,002.

**b. Cemeteries Perpetuity Fund**

This fund is used to maintain and repair cemetery headstones where owners cannot be contacted. It was agreed in 2009 to use the fund to carry out essential repair work on memorials.

**c. Land Charges Provision**

A provision set up to meet the potential liabilities of claims relating to potential refunds of personal search fees.

**d. Rickergate Properties Ringfenced Account**

This provision was previously held as a creditor and represents the net income from properties purchased in Rickergate with funds from North West Regional Development Agency. The Homes and Communities Agency have now taken over control of this scheme and have informed the Council that this income does not need to be repaid to it as was previously the case, and can be used to fund any future costs on the scheme with their approval.

**e. Other Provisions**

The Council holds other minor provisions for liabilities with uncertain timing or amounts.



## 4.43 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.

2015/16 £000		2016/17 £000
26,235	<b>Balance at 1 April</b>	<b>27,686</b>
1,722	Upward Revaluation of Assets	1,012
(11)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(309)
1,711	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	703
(257)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(294)
(3)	Accumulated gains on assets sold or scrapped	(9)
<b>27,686</b>	<b>Balance at 31 March</b>	<b>28,086</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 4.5 provides details of the source of all the transactions posted to the Account.

2015/16 £000		2016/17 £000
<b>113,955</b>	<b>Balance at 1 April</b>	<b>115,693</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(1,807)	Charges for depreciation and impairment of non-current assets	(1,807)
(47)	Amortisation of Intangible Assets	(36)
(1,035)	Revaluation losses on Property, Plant and Equipment	(1,659)
(636)	Revenue Expenditure Funded from Capital under Statute	(1,313)
(1,005)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(254)
<b>(4,530)</b>		<b>(5,069)</b>
260	Adjusting Amounts written out of the Revaluation reserve	303
<b>(4,270)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(4,766)</b>
<b>109,685</b>		<b>110,927</b>
	Capital Financing Applied in the year	
641	Use of Capital Receipts Reserve to finance new capital expenditure	916
2,318	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,047
0	Application of grants to capital financing from the Capital Grants Unapplied Account	20
372	Statutory provision for the financing of capital investment charged against the General Fund	516
384	Capital Expenditure charged to Earmarked Reserves	205
644	Capital expenditure charged against the General Fund	3,804
<b>4,359</b>		<b>8,508</b>
1,649	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,082)
<b>115,693</b>	<b>Balance at 31 March</b>	<b>117,353</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.

2015/16 £000		2016/17 £000
<b>(45,849)</b>	<b>Balance at 1 April</b>	<b>(39,931)</b>
7,474	Remeasurements of the net defined benefit liability/(asset)	(499)
(4,779)	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	(4,525)
3,223	Employer's pensions contributions and direct payments to pensioners payable in the year	2,926
<b>(39,931)</b>	<b>Balance at 31 March</b>	<b>(42,029)</b>

**(d) Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates 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.

2015/16 £000		2016/17 £000
<b>(340)</b>	<b>Balance at 1 April</b>	<b>(227)</b>
113	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	222
<b>(227)</b>	<b>Balance at 31 March</b>	<b>(5)</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.

2015/16 £000		2016/17 £000
<b>(160)</b>	<b>Balance at 1 April</b>	<b>(188)</b>
160	Settlement or cancellation of accrual made at the end of the previous period	188
(187)	Amounts accrued at the end of the current year	(172)
<b>(28)</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>16</b>
<b>(188)</b>	<b>Balance at 31 March</b>	<b>(172)</b>

**(f) Available for Sale Reserve (Financial Instruments)**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised

2015/16 £000		2016/17 £000
<b>259</b>	<b>Balance at 1 April</b>	<b>445</b>
186	Upward/(Downward) Revaluation of Investments	(51)
<b>186</b>		<b>(51)</b>
<b>445</b>	<b>Balance at 31 March</b>	<b>394</b>

#### 4.44 Capital Expenditure and Capital Financing

2015/16 £000		2016/17 £000
9,302	Opening Capital Financing Requirement	12,899
	<b>Capital Expenditure</b>	
2,467	Property, Plant and Equipment	4,490
4,791	Investment Properties	2,193
41	Intangible Assets	22
34	Heritage Assets	26
636	Revenue Expenditure funded from Capital Under Statute	1,313
7,969		8,044
	<b>Sources of Finance</b>	
(641)	Capital Receipts used to finance expenditure	(916)
(778)	Government Grants and Contributions	(1,467)
(1,027)	Revenue Financing & Reserves	(4,009)
(372)	Minimum Revenue Provision	(516)
(12)	Transferred Debt	(12)
(1,542)	Contributions from other bodies	(1,600)
(4,372)		(8,520)
12,899	<b>Closing Capital Financing Requirement</b>	12,423
	<b>Explanation of Movements in year</b>	
3,597	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	(476)
3,597	<b>Increase/(decrease) in Capital Financing Requirement</b>	(476)

## 4.45 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 2016/17 was £4.057m (£4.414m 2015/16). At 31 March 2017 the minimum lease payments under operating leases and contract hire agreements were as follows:

2016/17	Leased Cars £000	Property Leases £000	Total £000
Not later than 1 year	0	918	918
Later than 1 year and not later than 5 years	0	2,542	2,542
later than 5 years	0	35,579	35,579
<b>Total</b>	<b>0</b>	<b>39,039</b>	<b>39,039</b>

2015/16 - Restated	Leased Cars £000	Property Leases £000	Total £000
Not later than 1 year	1	964	965
Later than 1 year and not later than 5 years	1	2,824	2,825
later than 5 years	0	36,116	36,116
<b>Total</b>	<b>2</b>	<b>39,904</b>	<b>39,906</b>

The capital value held within the balance sheet at 31 March 2017 in respect of land and property generating leasehold income is £92.783million (£92.877million 2015/16). 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 £2,935,834. (2015/16: £2,935,834 - restated).

## 4.46 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 defined benefit final salary 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 principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated by to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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 2016/17.

2015/16 £000		2016/17 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<u>Net Cost of Services</u>	
2,775	Current Service Costs	2,293
589	(Gains)/Losses from Settlements	886
	<u>Financing and Investment Income &amp; Expenditure</u>	
1,415	Net Interest Expense	1,346
<b>4,779</b>	<b>Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services</b>	<b>4,525</b>
	<u>Other Comprehensive Income and Expenditure</u>	
	Remeasurements of the net defined benefit liability comprising:	
1,689	Return on Plan Assets (excluding the amount included in the net interest expense)	(14,732)
0	Actuarial (Gains) and losses arising on changes in demographic assumptions	(1,517)
(9,163)	Actuarial gains and losses arising on changes in financial assumptions	38,834
0	Experience (Gains)/Losses	(22,086)
<b>(7,474)</b>	<b>Total Other Comprehensive Income &amp; Expenditure</b>	<b>499</b>
<b>(2,695)</b>	<b>Net Charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>5,024</b>
	<b>Movement in Reserves Statement</b>	
4,779	Reversal of net charge made for retirement benefits in accordance with IAS 19	4,525
(3,223)	Actual amount charged against the General Fund Balance for pensions in the year	(2,926)
<b>1,556</b>	<b>Contribution (to) / from Pension Reserve</b>	<b>1,599</b>

There have been material decreases in the discount rates during the year and in some cases a small increase in the CPI inflation assumption. The effect of this is a significant increase in the liabilities and could typically be of the order of 25% of liabilities. There are also significant gains in investment markets over the period so actuaries are expecting to see a significant increase in asset values (typically 15-30% depending on the asset split and performance of the fund). The overall effect of these changes will vary from employer to employer but are likely to see deficits increase over the year. The results also incorporate the outcomes of the 2016 actuarial valuation and so will include the impact of experience factors over the period 2013-2016.

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

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation):

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
172,652	Benefit Obligation at beginning of period (1 April)	167,515
2,723	Current Service Cost	2,237
5,449	Interest on Pension Liabilities	5,767
673	Member Contributions	701
	Remeasurement (Gains) and Losses:	
	Experience (Gains)/losses	(22,086)
0	Actuarial (Gains)/losses arising from changes in demographic assumptions	(1,517)
(9,163)	Actuarial (Gains)/Losses arising from changes in financial assumptions	38,834
589	Losses/(Gains) on Curtailments	886
(5,408)	Benefits/transfers paid	(6,177)
<b>167,515</b>	<b>Benefit Obligation at end of period (31 March)</b>	<b>186,160</b>

Reconciliation of the Movement in Fair Value of the scheme (Plan assets):

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
126,803	Fair Value of plan assets at beginning of period (1 April)	127,584
4,034	Interest on Plan Assets	4,421
	Remeasurement gain/(loss):	
(1,689)	The return on plan assets, excluding the amount included in the net interest expense	14,732
(52)	Other - Administration Expenses	(56)
3,223	Employer Contributions	2,926
673	Member Contributions	701
(5,408)	Benefits/transfers paid	(6,177)
<b>127,584</b>	<b>Fair Value of plan assets at end of period (31 March)</b>	<b>144,131</b>

Pension Assets and Liabilities recognised in the Balance Sheet:

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:



31 March 2016 £000		31 March 2017 £000
167,515 (127,584)	Present value of the defined benefit obligation Fair Value of Plan Assets	186,160 (144,131)
<b>39,931</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>42,029</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 £24,062,000 (2015/16: a gain of £2,344,000).

**(b) 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 2014.

The main assumptions used in their calculations are:

2015/16		2016/17
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.10	Men	23.10
25.70	Women	25.70
	Longevity at 65 for future pensioners:	
25.90	Men	25.40
28.90	Women	28.40
2.00%	Rate of Inflation (CPI)	2.30%
3.50%	Rate of Increase in Salaries	3.80%
2.00%	Rate of increase in Pensions	2.30%
3.50%	Rate of discounting Scheme Liabilities	2.50%

Assets in the Cumbria Local Government Pension Scheme are valued at fair value, mainly market value for investments, and consist of the following categories by proportion:

2015/16		2016/17
£000		£000
66,344	Equity Investments	73,219
22,838	Government Bonds	28,106
9,313	Bonds	9,512
14,417	Property	14,557
4,083	Cash/Liquidity	4,612
10,589	Other Assets	14,125
<b>127,584</b>		<b>144,131</b>

The table below shows the sensitivity impact on actuarial assumptions of a change in the assumptions used

2016/17		+0.1% p.a. discount Rate	+0.1% p.a. inflation	+0.1% Pay Growth	1 Year Increase in Life Expectancy
£000		£000	£000	£000	£000
186,160	Liability	183,021	189,353	186,720	190,072
(144,131)	Assets	(144,131)	(144,131)	(144,131)	(144,131)
42,029	Deficit / (Surplus)	38,890	45,222	42,589	45,941
3,234	Projected Service Cost for Next Year	3,143	3,329	3,234	3,304
1,018	Projected Net Interest Cost for Next Year	977	1,101	1,035	1,119

### (c) Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation was completed on 31 March 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2,436,687 expected contributions to the scheme in 2016/17. For 2017/18 the Council expects to pay total employer contributions of £2,646,000, however it will be making an upfront contribution to the pension fund for the amount of contributions in respect of funding the pension deficit for the following three years. This payment together with an upfront estimate payment of 2017/18 current service contributions was paid in April 2017 and totalled £4,146,700.

The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2016/17 (18 years 2015/16).

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

#### 4.47 Contingent Assets

**(a) Riverside (formerly Carlisle Housing Association (CHA))**

At 31 March 2017 £194,868 (31 March 2016 £270,418) 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 2016/17 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.

#### 4.48 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 guaranteed 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 2017 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) 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 had 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. The reserve to the value of £488,000 which was 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) was transferred into the General Fund Balance during 2015/16. In the period from the date of the transfer to 31 March 2017, the Council has not received any claims in respect of either environmental or non-environmental warranties.

**(c) Environmental Enhancements**

The Council recognises its responsibilities in relation to potential contamination works in the Carlisle area. Any potential works required would be included in the Council's capital programme as required.

**(d) Business Rate Appeals**

A provision has been included within the Collection Fund in relation to likely appeals made against Business Rates up to 31 March 2017. Local businesses can still appeal against the 2010 rating list in 2017/18 and beyond, however as this is the seventh year of the rating list any new appeals that have not been included or cannot be covered by the existing provision will be remote. Due to the fact that the majority of appeals against the 2010 Rating List will now have been lodged, it is difficult to quantify any potential new appeals. Due to the uncertainty around these potential appeals no provision has been included in the accounts, however it is recognised that any of these appeals could result in a liability for the Council if submitted.

**4.49 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**4.50 Authorisation for Issue**

The draft Statement of Accounts were authorised for issue on 31 May 2017 by the Chief Finance Officer, Alison Taylor CPFA. The audited Statement of Accounts were re-authorised for issue on 19<sup>th</sup> July 2017 by the Chief Finance Officer, Alison Taylor, CPFA for approval by the Audit Committee at its meeting on 31 July 2017. This is the date up to which post balance sheet events have been considered.

## Cash-Flow Statement

### 4.51 Cash Flow Statement – Operating Activities

2015/16 £000		2016/17 £000
(168)	(Surplus) / Deficit on the Provision of Services	(385)
	<b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>	
(2,889)	Depreciation and downward revaluation charges	(3,502)
1,649	Movement in Fair Value of Investment Properties	(2,082)
(1,005)	Carrying amount of non current assets sold	(254)
(1,556)	Pension (IAS 19)	(1,599)
(43)	Increase/(decrease) in stocks	6
1,664	Increase/(decrease) in debtors	1,949
(1,331)	(Increase)/decrease in creditors	2,289
(13)	Other non-cash items charged to net surplus/deficit on provision of services	(22)
<b>(3,524)</b>		<b>(3,215)</b>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
641	Proceeds from the sale of property plant and equipment, investment property and intangible assets	916
1,427	Capital Grants charged to Comprehensive Income and Expenditure	1,450
<b>2,068</b>		<b>2,366</b>
<b>(1,624)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>(1,234)</b>
	<b>Shown within Net Cash Flow from Operating Activities</b>	
1,303	Interest Payable	1,303
(335)	Interest Receivable	(294)
<b>968</b>		<b>1,009</b>

## 4.52 Cash Flow Statement – Investing and Financing Activities

2015/16 £000		2016/17 £000
	<b>Investing Activities</b>	
7,394	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	6,404
20,500	Purchase of Short Term and Long Term Investments	37,000
(278)	Other Payments for Investing Activities	(662)
(608)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(968)
(24,000)	Proceeds from Short Term and Long Term Investments	(39,000)
(626)	Other Receipts from Investing Activities	(2,561)
<b>2,382</b>	<b>Net Cash Flows from Investing Activities</b>	<b>213</b>
	<b>Financing Activities</b>	
(370)	Other payments for financing activities	(919)
<b>(370)</b>	<b>Net Cash Flows from financing Activities</b>	<b>(919)</b>

## SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

### 5.1 The Collection Fund

The Collection Fund, established under the Local Government Finance Act 1988 (as amended), 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.

2015/16 Council Tax £000		2016/17 Council Tax £000
51,732	<b>Amounts required by statute to be credited to the Collection Fund</b> Council Tax (showing the amount receivable, net of benefits discounts for prompt payment and transitional relief)	54,588
<b>51,732</b>	<b>Total Income</b>	<b>54,588</b>
	<b>Amounts required by statute to be debited to the Collection Fund</b> Precepts and demands from Major Preceptors and the Authority - Council Tax	
37,628	Cumbria County Council	40,121
6,752	Police and Crime Commissioner for Cumbria	7,057
6,585	Carlisle City Council	6,933
	Impairment of debts/appeals for Council Tax	
(81)	Write Offs of uncollectable amounts	(104)
99	Allowance for Impairment	22
35	Contribution towards previous year's estimated Collection Fund Surplus - Council Tax	93
<b>51,018</b>	<b>Total Expenditure</b>	<b>54,122</b>
528	<b>Opening Fund Balance - Council Tax Surplus/(Deficit)</b>	1,242
1,242	<b>Closing Fund Balance - Council Tax Surplus/(Deficit)</b>	1,708
714	<b>Movement on Fund Balance - Council Tax</b>	466

2015/16 Non-Domestic Rates £000		2016/17 Non-Domestic Rates £000
42,936	<b>Amounts required by statute to be credited to the Collection Fund</b> Non Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs)	44,175
<b>42,936</b>	<b>Total Income</b>	<b>44,175</b>
	<b>Amounts required by statute to be debited to the Collection Fund</b>	
	Shares of Non- Domestic rating income to major preceptors and the (billing) authority - Non-Domestic Rates	
4,240	Cumbria County Council	4,415
16,962	Carlisle City Council	17,662
21,203	Central Government	22,077
37	Transitional Protection payments non-domestic rates	61
181	Charge to General Fund for allowable collection costs for Non-Domestic Rates	181
26	Disregarded Amounts - Renewable Energy Schemes	53
	Impairment of debts/appeals for Non-Domestic Rates	
468	Write Offs of uncollectable amounts	103
63	Allowance for Impairment (Bad Debts)	(21)
78	Movement in Provision for Appeals	(304)
(417)	Contribution towards previous year's estimated Collection Fund Surplus - Non-Domestic Rates	(396)
<b>42,841</b>	<b>Total Expenditure</b>	<b>43,831</b>
(1,062)	<b>Opening Fund Balance - Non-Domestic Rates Surplus/(Deficit)</b>	(967)
(967)	<b>Closing Fund Balance - Non Domestic Rates Surplus/(Deficit)</b>	(623)
95	<b>Movement on Fund Balance - Non Domestic Rates</b>	344



The Summary of the Collection Fund Balances is as follows:

2015/16 £000		2016/17 £000
(1,062)	Opening Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(967)
528	Opening Fund Balance - Surplus/(Deficit) - Council Tax	1,242
<b>(534)</b>	<b>Total Opening Collection Fund Balance</b>	<b>275</b>
95	Movement on Collection Fund - Non-Domestic Rates	344
714	Movement on Collection Fund - Council Tax	466
<b>809</b>	<b>Total Movement on Collection Fund Balance</b>	<b>810</b>
(967)	Closing Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(623)
1,242	Closing Fund Balance - Surplus/(Deficit) - Council Tax	1,708
<b>275</b>	<b>Total Closing Collection Fund Balance - Surplus/(Deficit)</b>	<b>1,085</b>

## 5.2 Notes to the Collection Fund

### Council Tax

On the basis that surpluses and deficits are shared with the County Council and the Police and Crime Commissioner for Cumbria, the Council has accounted for the Collection Fund balance in its 2016/17 Statement of Accounts as follows:

- The £1,708,288 surplus is accounted for in line with the Code of Practice 2016 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £217,388 Carlisle share of the surplus is shown as a balance on the Collection Fund adjustment Account. The £1,271,731 share is attributable to the County Council and the £219,169 attributable to the Police & Crime Commissioner 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.

### Non Domestic Rates

On the basis that surpluses and deficits are shared with Central Government and the County Council, the Council has accounted for the Collection Fund balance in its 2016/17 Statement of Accounts as follows:

The £622,928 deficit is accounted for in line with the Code of Practice 2016 guidance, with the Council acting as the major precepting authorities' agent in the collection of Business Rates. The £249,171 Carlisle share of the deficit is shown as a balance on the Collection Fund adjustment Account. The £311,464 share is attributable to Central Government and the £62,293 attributable to the County Council 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.

### **Council Tax base calculation**

The council tax base set for 2016/17, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	42.19	5/9	23.44
A	14,127.20	6/9	9,418.13
B	9,698.73	7/9	7,543.46
C	6,526.94	8/9	5,801.72
D	4,799.20	9/9	4,799.20
E	2,440.22	11/9	2,982.49
F	1,020.87	13/9	1,474.59
G	326.92	15/9	544.87
H	20.10	18/9	40.20
	<b>39,002.37</b>		<b>32,628.10</b>
Second Homes	168.05		168.05
Relevant Amount	<b>38,834.32</b>		<b>32,460.05</b>
Estimated Collection Rate			98.50%
<b>Council Tax Base =</b> <b>Relevant Amount (Band D Equivalent) x Collection Rate</b>			<b>31,973.15</b>

### **Income from Business Ratepayers**

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (49.7p in 2016/17), 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

The total rateable value for the Council's area was £108,245,102 for the year 2016/17 (£107,270,150 in 2015/16).

### **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 2016/17 the values were: -

2015/16 £		2016/17 £
6,584,926	Carlisle City Council	6,933,210
37,627,942	Cumbria County Council	40,120,943
6,752,418	Cumbria Police Authority	7,057,359

Included in the amount for the City Council is a precept of £502,638 (2015/16: £440,273) which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

### Scope of Responsibility

Carlisle City Council ('the Council') is responsible for ensuring that its business is conducted both in accordance with the law and proper, appropriate standards. In addition, the Council must seek to ensure 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 local Code of Corporate Governance ("the Code"), 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 Council's Chief Finance Officer. 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 (2015)*' and the CIPFA Statement on the '*Role of the Head of Internal Audit (2010)*'.

This statement explains how the Council has complied with the Code and application note and also meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

### The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts for 2016/17.

## **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 Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015.

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

The Carlisle Plan is annually reviewed with Members to ensure that the vision and priorities are still relevant and consistent with Members' aspirations. The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of the overall vision. Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

### **Measuring the quality of service for users**

The Council's Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels and media such as the Carlisle Focus, Customer Contact Centre, and online surveys. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. 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.

The work of the Smarter Service Delivery Board (now subsumed within the Transformation SMT sub-group) has continued to develop following the launch of a new '.gov' website. The focus is now on developing a new Customer Relationship Management System (CRM) to further increase the shift of customers to digital and self-service options. Performance in services provided to customers was monitored through management information indicators, highlighting the short and medium term trends which are reported corporately to the Senior Management Team<sup>1</sup>. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive<sup>2</sup> and relevant Overview & Scrutiny Panels with progress made in 2016/17 detailed below:

### **PRIORITY – Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle**

Major projects included the completion of the Durranhill Industrial Estate infrastructure improvements and securing funding to support the development of the Carlisle South

---

<sup>1</sup> The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

<sup>2</sup> See Report to Executive for full details, *PC 11/17 4<sup>th</sup> QUARTER PERFORMANCE REPORT 2016/17, 3 July 2017*

Masterplan. The Council continued to support the delivery of the Carlisle Enterprise Zone at Kingmoor Park and the development of Carlisle Airport as a regional gateway.

**PRIORITY - Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents**

Work began to identify a preferred bidder to deliver the proposed new leisure contract, improving facilities at The Sands Centre and enhancing leisure services across the city.

The Council continued to work with partners to deliver the World Health Organisation Phase VI Healthy City Action Plan, including a successful funding application to Sustainable Food City.

**PRIORITY – Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle**

New waste and recycling collection vehicles were put in place to modernise the fleet, improving services to residents and reducing the environmental impact of our collection service. A contract has been agreed for the sale of recycling collected from households and from our local recycling sites.

Construction has started on the Crindledyke cycleway; this is the first phase of a new cycleway to provide a traffic-free route for commuters into the city and access to natural green space for recreation.

**PRIORITY – Address current and future housing needs to protect and improve residents' quality of life**

Work began on an updated draft Housing Strategy, which will incorporate the Housing Delivery Action Plan. Progress with Carlisle's Interagency Homelessness Strategy 2015-20 included co-ordinated casework to safeguard females, and funding being secured from the Department for Communities and Local Government to support a countywide project to target specialist accommodation based support and service reform to meet priorities and prevent domestic abuse.

The Council has continued work to improve standards in the private rented sector and maximise the delivery of affordable homes.

**PRIORITY – Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential**

A successful, high quality events programme was delivered in 2016/17 and we are seeking to build on this in 2017/18.

Carlisle Ambassador meetings continued to provide partners with the opportunity to network with other businesses and the Council. It also enabled Ambassadors to give something back to the community through the 'Give a day to the City' programme which brought businesses together to deliver community projects. The Ambassadors supported local initiatives such as recruitment events and used place branding resources to promote Carlisle.

A new performance framework has been developed during 2016/17 and will be in place for 2017/18, which will help to improve any reporting issues identified during a 2016/17 Audit Review.

This framework links the Carlisle Plan to Service Plans and the Appraisal Scheme. DMT meetings are set to include performance management linked to the performance reporting cycle.

The Council currently has shared service arrangements in respect of ICT and Revenue and Benefits (systems and controls). These arrangements have delivered 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. The Internal Audit Shared Service ceased on 31<sup>st</sup> March 2017, with the service now being provided by an in-house team.

## **Roles and Responsibilities**

The City Council comprises 52 elected Members and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the “Strong Leader” model whereby the Council appoints the Leader for a four year period, who then nominates his/her Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

Currently, the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council’s Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that he has delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that he/she reviews at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council’s website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council’s Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council’s budget and policy framework within which the Executive must operate. The Council has also established a series of Overview and Scrutiny Panels of which, currently, there are three (Community, Environment & Economy and Resources). These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process. Each Panel also has a nominated member of the Council’s Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council’s Constitution.

The Council’s Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, 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.

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 in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2016/17, comprised a Chief Executive, a Deputy Chief Executive, two Directors and the Chief Finance Officer. The Team meets on a fortnightly basis to discuss corporate issues.

## **Codes of Conduct and Standards**

The Council has formally adopted a Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honest & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons ratified by Council on 16<sup>th</sup> July 2013). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on particular relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

The Council has its own Code of Officer Conduct (built under the same Nolan principles). The Code was formally approved by Members in September 2010 and 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, for example, Procurement & Contracts and Budgetary Control issues. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group. Currently being planned are several e-learning packages so that appropriate training can be targeted at relevant officers.

## **Standing Orders/Financial Procedure Rules**

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial

limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegations to Officers continued to be developed which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council's Risk Management Strategy sets out how the Council approaches risk management. In terms of risk assessment, this is overseen in the Council by a formal Risk Management Group made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, lead by the deputy Chief Executive, 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 Project Server, with work continuing on a revised performance management system to replace Covalent.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. General Risk management training has been provided alongside training sessions on specific issues such as Event management. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our Insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme.

The Council's financial procedure rules include guidance on the retention of records and it is also continuing to develop a Records Management Policy to encompass the collection, storage and sharing of data and data quality arrangements.

### **Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained**

In accordance with the "*Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti Money Laundering Policy. These have been reviewed and updated to ensure that the requirements of the Bribery Act 2011 are properly considered in the arrangements and in addition an Anti-Bribery Strategy is now in place. An e-learning module is under development to support the Council's counter-fraud and corruption suite of policies.

The Council completed The European Institute for Combatting Corruption and Fraud's (TEICCAF) survey in 2015/16 and work was completed on the National Fraud Initiative (NFI) by January 2016.

### **Ensuring effective management of change and transformation**

The Council developed a savings strategy several years ago in order to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. Its current transformation programme has identified that a further £2.274 million over the lifetime of the current MTFP 2017/18 – 2021/22 is required. Of this sum £795,000 is targeted at 2017/18 with £1.479million being required in 2018/19.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. The Deputy Chief Executive and the Chief Finance Officer, supported by SMT, provides accountability for the delivery of the savings strategy thus ensuring that the transformation of Council services is controlled and managed effectively; with appropriate Corporate Directors being responsible for delivering individual schemes within the overall programme.



## Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the *'Role of the Chief Financial Officer in Local Government'* and during 2016/17 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Chief Finance Officer is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. She leads and directs an adequately resourced, fit for purpose, finance function, comprising of 14 officers, who support her 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 that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2018/19 to 2022/23 will be presented to Executive, Resources Overview and Scrutiny Panel (ROSP) and Council between July and September 2017. All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition full option appraisals are included for all business cases for specific projects.

The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.

Value for Money benchmarking exercises are undertaken across service areas on a regular basis. The cost and performance of services are compared with other authorities both locally (Cumbria wide) and nationally. These profiles and benchmarks are used to inform Senior Managers and Members of service areas, which should be targeted for further challenge and improvement review.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and ROSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts has been produced earlier than the statutory deadlines and year-end actual results are reported against budgets. The summary revenue position is shown within the explanatory foreword (narrative statement), 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 and preparations are underway for the earlier close down of the accounts for 2017/18.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Legal Services Manager acting as his deputy. These officers have a duty to report to the Council and the Executive in any case where they are of the opinion that any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Conduct determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and Chief Finance Officer (S151 officer) in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individual within it' incorporating the requirement to 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out his role and responsibilities in respect of management structures and the discharge of functions by the Council. He will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

He is currently supported in his role by a deputy and three other Chief Officers, and has regular access to and contact with the Leader of the Council and his Executive, through formal meetings of the Executive and informal Joint Management Team meetings. He supports the Resources Overview and Scrutiny Panels and currently has direct line management responsibilities for Organisational Development, Customer Services, Financial Services & HR, Revenues & Benefits and ICT.

During 2016/17 the Head of Paid Service introduced SMT sub-groups to encourage the concept of greater cross-directorate working on operational and corporate projects. Four sub-groups have been established; each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring that operational

decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

## **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 (2013)"*. This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the *'Role of the Head of Internal Audit'* and during 2016/17 the Council continued to comply with 5 key principles of the CIPFA statement.

During 2016/17 the Head of Internal Audit for the Internal Audit Shared Service is the Group Audit Manager but the Head of Internal Audit role at participant organisations within the Internal Audit Shared Service is carried out by the relevant Audit Manager. This structure ceases on 31<sup>st</sup> March 2017 with the service being provided by an in-house team. The shared service continues to operate as an interim measure until the Audit Plan for 2016/17 is complete and the Head of Internal Audit's opinion on the Council's control environment is provided for 2016/17.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds in to the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and may undertake priority risk audit (hot assurance) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year based on the agreed risk based audit plan which includes a wide range of council operations along with risk management, internal control and governance considerations. *A reasonable assurance has been provided on the adequacy and effectiveness in respect of 2016/17.*

The Audit Manager reported to the Council's section 151 officer through the deputy section 151 officer (the Council's (then) Financial Services & HR Manager) and has access to the Senior Management Team (SMT) and Chief Executive as required. The Audit Manager attends all Audit Committee meetings and has the opportunity for private dialogue with the Chair as appropriate.

The resources available within the Internal Audit Shared Service were assessed as fit for purpose for 2016/17. This will be subject to regular review going forward by the designated Head of Internal Audit (the Council's Deputy Chief Finance Officer) for the in-house service providers. The audit team has a range of skills and qualifications including AAT, IIA and CCAB. Audit days were reduced in 2016/17 to reflect the reduction in Council service provision.

The (2016/17) Group Audit Manager is CIPFA qualified and has 19 years' experience in Local Government Internal Auditing, twelve of these in a management capacity. The Audit Manager is ACA qualified and has 21 years' experience in local government internal auditing, all as Audit Manager.

## **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 the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Chief Finance Officer. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any particular matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at any Appeal Panel meetings if necessary.

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. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

## **Complaints and Whistle blowing**

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal to, initially, the Chief Executive or nominee and then, if necessary, 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 appraisal scheme, which is mandatory for all officers, including all senior managers. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is 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 biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's;

clear, committed and confident. The management competency framework introduced in 2013/14 was developed further during 2014/15 with the provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees.

The Council operates a Member Learning and Development Framework which includes provision for a Member/Leader Review. An analysis of all Members' roles including those of a strategic nature has been undertaken and is used to identify training needs for Members holding or aspiring to strategic office. The framework was fully implemented in 2012/13 and proved to be successful with 40 Members taking part. A report on the training needs identified was produced by Organisational Development and taken to the Member Learning & Development Working Group for discussion and implementation.

The Council is working towards achieving a Better Health at Work Award and there is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

### **Clear channels of communication**

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publically available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's 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. There is an annual budget consultation involving the public, local businesses, staff and the trade Unions. Further stakeholder engagement with the public is achieved through media such as the Carlisle Focus magazine and other online surveys. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

### **Enhancing the accountability for service delivery and effectiveness of other public service providers**

Whilst the Council continues to deliver most of its key services directly there are a number of areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant 'partnerships'. However many partnerships are actually contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the 2016/17 monitoring process. A key objective of the Carlisle Plan was for a fundamental review of all partnership working currently in operation and these reviews have taken place in tandem.

During 2013/14 and 2014/15 enhanced monitoring arrangements for specific public services were implemented within the Council, and more robust challenges have been made to partners/contractors during 2015/16 and 2016/17 to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the “partners” expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres. During 2012/13, the Council introduced the concept of Service Level Agreement that seeks to ensure a level and quality of delivery that meets Council expectations; these SLA's and delivery against them will be reviewed on a regular basis.

## **Good governance in respect of Partnerships**

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/ implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management 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 the Resources Overview & Scrutiny Panel.

## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate 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 Council's Chief Finance Officer and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers 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 half yearly 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.

The 2013/14 Audit Plan included a detailed follow up audit of Records Management. The previous audit of this area was reported in September 2012 and provided 'partial' assurance. The follow up audit undertaken in 2013/14 found that insufficient progress had been made to address the issues raised in the previous audit report and the assurance opinion remained 'partial'. This continued to be monitored by the Audit Committee with progress reports being reported to Members of the Committee during 2014/15, 2015/16 and 2016/17 with policies being developed; a further follow up audit was undertaken by the in-house team in April/May 2017 which again has provided a partial assurance; therefore as Members of the Committee have not received the required level of assurance from Managers with regard to the areas of weakness identified during the audits, they will continue to monitor progress during 2017/18.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for

purpose in accordance with the governance framework. A plan to address any identified weaknesses and ensure continuous improvement is outlined below.

## Significant Governance Issues

Issue Identified	Target Date
<p><u>Records Management</u></p> <p>Improvements to the corporate records management framework and arrangements were highlighted by an audit review and management were tasked with the preparation of a Council Policy on records management which would be implemented corporately through a Project Group with additional guidance provided to assist relevant officers.</p> <p>Whilst there is evidence which demonstrates that significant progress has been made to address the issues raised, these improvements continue to be closely monitored by Management and the Audit Committee.</p>	<p>A further progress report will be presented to the Audit Committee in early 2017/18.</p>

We propose, over the coming year, to address this issue and to monitor and implement improvements to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### Signed on behalf of Carlisle City Council



---

Colin Glover  
Leader of Council



---

Jason Gooding  
Chief Executive



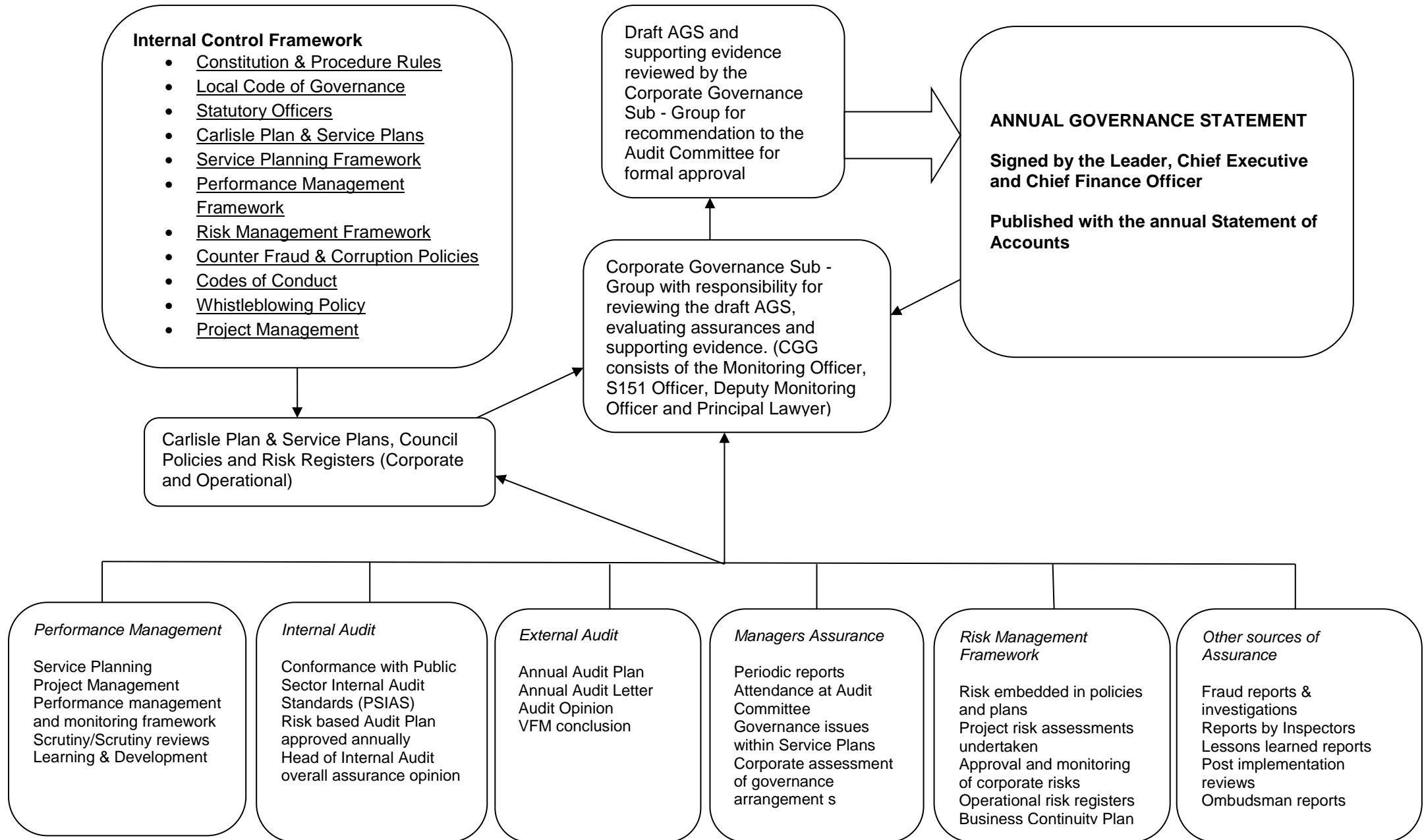
---

Alison Taylor  
Chief Finance Officer

Date: 31 July 2017



## Carlisle City Council Governance Framework



## **FINANCIAL ABBREVIATIONS USED IN THIS DOCUMENT**

<b>AGS</b>	<b>Annual Governance Statement</b>
<b>AMP</b>	<b>Asset Management Plan</b>
<b>CAA</b>	<b>Capital Adjustment Account</b>
<b>CFR</b>	<b>Capital Financing Requirement</b>
<b>CIPFA</b>	<b>Chartered Institute of Public Finance and Accountancy</b>
<b>CIES</b>	<b>Comprehensive Income and Expenditure Statement</b>
<b>DCLG</b>	<b>Department for Communities and Local Government</b>
<b>DWP</b>	<b>Department for Work and Pensions</b>
<b>DFG</b>	<b>Disabled Facilities Grant</b>
<b>FRS</b>	<b>Financial Reporting Standards</b>
<b>IIA</b>	<b>Institute of Internal Auditors</b>
<b>IAS</b>	<b>International Accounting Standards</b>
<b>ISA</b>	<b>International Standards in Auditing</b>
<b>IFRS</b>	<b>International Financial Reporting Standards</b>
<b>JMT</b>	<b>Joint Management Team</b>
<b>LASAAC</b>	<b>Local Authority (Scotland) Accounts Advisory Committee</b>
<b>LGPS</b>	<b>Local Government Pension Scheme</b>
<b>MTFP</b>	<b>Medium Term Financial Plan</b>
<b>MRP</b>	<b>Minimum Revenue Provision</b>
<b>NNDR</b>	<b>National Non-Domestic Rates</b>
<b>PPE</b>	<b>Property, Plant and Equipment</b>
<b>PSIAS</b>	<b>Public Sector Internal Auditing Standards</b>
<b>RSG</b>	<b>Revenue Support Grant</b>
<b>SeRCOP</b>	<b>Service Reporting Code of Practice</b>
<b>SMT</b>	<b>Senior Management Team</b>
<b>VFM</b>	<b>Value of Money</b>
<b>WGA</b>	<b>Whole of Government Accounts</b>