

# Carlisle City Council

## Audited Statement of Accounts

2017/18



**CARLISLE CITY COUNCIL**

**SINGLE ENTITY**

**AUDITED**

**STATEMENT OF ACCOUNTS**

**2017/18**

# AUDITED STATEMENT OF ACCOUNTS

2017/18

## CONTENTS

| Section |   | Page |
|---------|---|------|
|         | Auditor Opinion (to follow upon conclusion of audit)        | i    |
| 1.      | Narrative Report  | 1    |
| 2.      | Statement of Responsibilities for the Statement of Accounts | 19   |
| 3.      | Financial Statements:                                       |      |
|         | Comprehensive Income and Expenditure Statement              | 20   |
|         | Movement in Reserves Statement                              | 21   |
|         | Balance Sheet   | 23   |
|         | Cash Flow Statement   | 25   |
| 4.      | Notes to the Accounts (including Accounting Policies)       | 26   |
| 5.      | Supplementary Financial Statements – Collection Fund        | 99   |
| 6.      | Annual Governance Statement                                 | 104  |
| 7.      | Financial Abbreviations                                     | 120  |

## Independent auditor's report to the members of Carlisle City Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Carlisle City Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 120, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the

other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### **Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer. 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Responsibilities of the Authority**

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 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

30 July 2018



## SECTION 1 – NARRATIVE REPORT

### 1.1 Introduction

The City Council must prepare and publish its Statement of Accounts annually. Their 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 2017/18;
- 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 2018 have 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' (i.e. 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 2017 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                          | Enterprise Centre                         | Asset Management Costs (Depreciation) |
| Community Centres        | Economic Development                        | Digital and Information Services | Health & Safety                           |                                       |
| Community Safety         | Enterprise Zone                             | Finance                          | Homelessness & Homelessness Accommodation |                                       |
| Corporate Communications | Planning Enforcement                        | Health & Wellbeing               | Investment & Operational Property         |                                       |
| Emergency Planning       | Regeneration & Projects                     | Human Resources                  | Land Charges                              |                                       |
| Events                   | Rural Policy & Support                      | Insurance                        | Legal Services                            |                                       |
| Green Spaces             | Section 106 / Community Infrastructure Levy | Organisational Development       | Licensing                                 |                                       |
| Marketing                | Strategic and Housing Planning Policy       | PA Support Team                  | Mayoral Support                           |                                       |
| Old Fire Station         |   | Payroll & Personnel              | Member Services                           |                                       |
| Overview & Scrutiny      |   | Procurement                      | Monitoring Officer                        |                                       |
| Policy & Performance     |   | Revenues & Benefits              | Private Sector Housing                    |                                       |
| Refuse and Recycling     |   | Risk Management                  | Strategic Property                        |                                       |
| Sports Development       |   | Section 151                      | Welfare Advice Service                    |                                       |
| 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 capital reserves 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 some of the more significant entries in the core financial statements and include details of the significant 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 2017/18 Budget and Medium Term Financial Plan**

The 2017/18 revenue budget was set within the context of the Council’s Medium Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key Financial Principles:

- Revenue Budget Strategy
- Commercial and Income Generation
- Council Tax and Business Rates Policy
- Capital Investment
- Treasury Management

The MTFP for 2017/18 highlighted that the key risks to the financial future of the Council were the removal of Revenue Support Grant from 2019/20 and the uncertainties around the future design of a Business Rate Retention scheme from 2020. However, given these uncertainties, the budget for 2017/18, which was set in February 2017, showed that although the Council still had to make £2.274million of savings, overall general fund reserves would increase over the period 2017/18 to 2021/22 even considering the loss of Revenue Support Grant.

By the end of 2017/18, the savings still to be achieved amounted to £1.134million.

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 2017/18. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 19.

| 2017/18 Revenue Budget                               | £000          |
|--|---------------|
| Approved Budget (Council Resolution - February 2017) | 11,038        |
| Carry Forward requests (2016/17 In Year)             | 97            |
| Carry Forward requests (2016/17 Outturn)             | 393           |
| Carry Forward requests (2017/18 In Year)             | (47)          |
| <b>Budget 2017/18 as at March 2018</b>               | <b>11,481</b> |
| Non-Recurring Expenditure                            |               |
| Use of Renewals Reserve                              | 214           |
| Use of Leisure Reserve                               | 80            |
| Use of Building Control Reserve                      | 26            |
| Use of Carry Forward Reserve                         | 178           |
| Use of GLL Reserve                                   | 249           |
| Use of Revenue Grants Reserve                        | 193           |
| Use of Promoting Carlisle Reserve                    | 10            |
| Transfer to Cremator Reserve                         | (94)          |
| <b>Revised Budget 2017/18</b>                        | <b>12,337</b> |
|  |               |

|  | Budget<br>£000  | Actual<br>£000  | Variance<br>£000 |
|--|-----------------|-----------------|------------------|
| Community Services                       | 9,221           | 9,038           | (183)            |
| Corporate Support and Resources          | 2,854           | 2,826           | (28)             |
| Economic Development                     | 1,293           | 798             | (495)            |
| Governance and Regulatory Services       | 262             | (748)           | (1,010)          |
| Corporate Management (excl flood)        | (1,368)         | (1,193)         | 175              |
| Flood                                    | 75              | (937)           | (1,012)          |
| <b>Service Expenditure</b>               | <b>12,337</b>   | <b>9,784</b>    | <b>(2,553)</b>   |
| Parish Precepts                          | 583             | 583             | 0                |
| <b>Total</b>                             | <b>12,920</b>   | <b>10,367</b>   | <b>(2,553)</b>   |
| <b>Transfers to/(from) Reserves</b>      |                 |                 |                  |
| GLL Reserve                              | (249)           | (249)           | 0                |
| Building Control Reserve                 | (26)            | (37)            | (11)             |
| Cremator Replacement Reserve             | 94              | 94              | 0                |
| Repairs & Renewals Reserve               | (214)           | (214)           | 0                |
| Leisure Reserve                          | (80)            | (80)            | 0                |
| Carry Forward Reserve                    | (178)           | (178)           | 0                |
| Volatility Reserve                       | 0               | (110)           | (110)            |
| Prosecution Fund                         | 0               | 20              | 20               |
| Promoting Carlisle Reserve               | (10)            | (10)            | 0                |
| Revenue Grants Reserve                   | (193)           | 1,055           | 1,248            |
| General Fund Reserve                     | 484             | 1,684           | 1,200            |
| Flood Reserve                            | 0               | 1,514           | 1,514            |
| Planning Services Reserve                | 0               | 28              | 28               |
| <b>Total Transfer to/(from) Reserves</b> | <b>(372)</b>    | <b>3,517</b>    | <b>3,889</b>     |
| Financed by:                             |                 |                 |                  |
| Precept from Collection Fund             | (7,347)         | (7,347)         | 0                |
| Business Rate Retention                  | (4,315)         | (5,651)         | (1,336)          |
| Revenue Support Grant                    | (886)           | (886)           | 0                |
| <b>Total Grants</b>                      | <b>(12,548)</b> | <b>(13,884)</b> | <b>(1,336)</b>   |
|  |                 |                 |                  |
| <b>Total</b>                             | <b>(12,920)</b> | <b>(10,367)</b> | <b>2,553</b>     |

The Council has total usable reserves of £11.932million at 31 March 2018 (£8.400million at 31 March 2017), of which the total earmarked reserves held are £6.232million (£4.206 million at 31 March 2017). Further details of these reserves can be found at note 4.6.

For 2017/18 the Council was under spent by £2.553million against the revised budget. This resulted in a lower use of reserves in 2017/18 than expected. However, of the under spend, £0.664million is earmarked for carry forward into future years and £1.276million has been placed into earmarked reserves to meet known commitments.

The Council also has other unusable reserves totalling £106.9million at 31 March 2018 (£103.6million at 31 March 2017). Certain reserves are used 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 2018 to those that were forecast when it set its 2018/19 revenue budget in February 2018.

|   | Forecast<br>31/03/2018<br>£000 | Outturn<br>31/03/2018<br>£000 |
|---|--------------------------------|-------------------------------|
| <b>General Reserves</b>                   |                                |                               |
| General Fund (including Projects Reserve) | (3,526)                        | (4,773)                       |
| Carry Forward Reserve                     | (1,055)                        | (927)                         |
|   | <b>(4,581)</b>                 | <b>(5,700)</b>                |
| <b>Earmarked Reserves</b>                 |                                |                               |
| Transformation Reserve                    | (150)                          | (150)                         |
| Building Control Reserve                  | (155)                          | (150)                         |
| Cremator Reserve                          | (797)                          | (850)                         |
| Leisure Reserve                           | (49)                           | 0                             |
| Economic Investment Reserve               | (6)                            | (6)                           |
| Car Parking Reserve                       | (107)                          | (107)                         |
| City Centre Reserve                       | (42)                           | (42)                          |
| Welfare Reform Reserve                    | (200)                          | (200)                         |
| Repairs & Renewals Reserve                | 0                              | 0                             |
| Flooding Reserve                          | (500)                          | (2,014)                       |
| Business Rate Volatility Reserve          | (110)                          | 0                             |
| Lanes Reserve                             | (45)                           | (45)                          |
| CLL Reserve                               | (453)                          | (273)                         |
| Asset Investment Reserve                  | (48)                           | (48)                          |
| Planning Services Reserve                 | 0                              | (28)                          |
| Promoting Carlisle Reserve                | (20)                           | (20)                          |
| Prosecutions and Representations Reserve  | (21)                           | (41)                          |
| Revenue Grants Reserve                    | (769)                          | (1,920)                       |
| Revenues & Benefits Reserve               | (338)                          | (338)                         |
|   | <b>(3,810)</b>                 | <b>(6,232)</b>                |
| <b>Total Usable Reserves</b>              | <b>(8,391)</b>                 | <b>(11,932)</b>               |

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2017/18 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 2017/18 was approved at £11.240million. Overall capital spending for 2017/18, totalled £9.571million, resulting in an underspend of £1.669million. Where projects have not completed in the year, £1.712million 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> |       |              |
| Disabled Facilities Grants                                   | 1,207 |              |
| Castleway Crossing   | 332   |              |
| Other Schemes  | 198   |              |
|  |       | 1,737        |
| <b>Capital Investment on Assets</b>                          |       |              |
| Strategic Property Purchases                                 | 181   |              |
| Industrial Estates   | 311   |              |
| Equipment Vehicles & Plant                                   | 1,845 |              |
| Enhancements to Council Property                             | 3,723 |              |
| Play Areas and Open Space Improvements                       | 164   |              |
| Cycle Track Development                                      | 1,042 |              |
| Public Realm   | 268   |              |
| Other Schemes  | 300   |              |
|  |       | 7,834        |
|  |       | <b>9,571</b> |
|  |       |              |

The programme has been financed as follows:

|  | £000         |
|--|--------------|
| Capital Receipts                       | 928          |
| Specified Capital Grant                | 1,785        |
| Other Capital Grants and Contributions | 1,745        |
| Direct Revenue Financing               | 4,720        |
| Unfinanced Capital Expenditure         | 393          |
|  | <b>9,571</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 been required to take advantage of the Prudential Borrowing regime introduced in April 2004 with no new borrowing undertaken in 2017/18. This position is regularly reviewed in the light of total available capital resources.

#### (ii) Capital Receipts

The Council utilises capital receipts generated from the sale of its assets to pay for its capital spending wherever possible. 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 finances. The Council's holding of Property, Plant and Equipment and Investment Properties has decreased in value in the year from

£157.706million to £153.787million due primarily to a downward revaluation on the Lanes Shopping Centre asset.

## (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 and investments it held at 31 March.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| (4,194)         | General Fund Balance                                      | (5,700)         |
| (600)           | Capital Reserves  | (366)           |
| (3,606)         | Earmarked Reserves  | (5,866)         |
| 5               | Collection Fund Adj Account                               | 165             |
| (1,644)         | Provisions  | (1,365)         |
| (794)           | Capital Grant Unapplied/Capital Grant Receipts in Advance | (136)           |
| <b>(10,833)</b> | <b>Amount available for Investment</b>                    | <b>(13,268)</b> |
|                 | Investments   |                 |
| 3,230           | Long Term   | 3,383           |
| 10,500          | Short Term  | 7,500           |
| 2,690           | Cash & Cash Equivalents                                   | 789             |
| <b>16,420</b>   | <b>Total Investments</b>                                  | <b>11,672</b>   |
| <b>5,587</b>    | <b>Surplus Monies / (Internal Borrowing)</b>              | <b>(1,596)</b>  |
| (2,996)         | Working Capital   | 3,953           |
| <b>2,591</b>    | <b>Surplus Monies / (Internal Borrowing)</b>              | <b>2,357</b>    |

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed balances (£13.268million) and cash held in working capital. The net position shows that £2.357million 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 £12.657million (Note 4.41). In effect the Council is utilising the cash from this borrowing. This is an improved position than expectations when the 2018/19 budget was set which showed a surplus of £0.693million.

## 1.5 Cash Flows

During 2017/8 the net change in cash and cash equivalents was £1.901million.

## 1.6 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 £33.047million at 31 March 2018.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £33.047million 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.



The Council took advantage of paying its deficit funding requirement for the years 2017/18 to 2019/20 up-front to the pension fund. This enabled it to achieve savings in the overall deficit funding required over the three-year period of the pension fund valuation period. An up-front payment, based on estimates, was also paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year. Due to this upfront payment, the pension liability on the balance sheet is lower than the amount held in the pension reserve.

## **1.7 Significant Issues**

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

During 2017/18 pressure continued to be placed upon the Council's financial position as a result of the recovery to the severe flooding and storm damage experienced by the City and the wider Cumbrian area in December 2015. The reinstatement work to Council assets has cost millions of pounds to complete. Negotiations have been concluded with the Council's insurers to ensure where possible as much can be reimbursed from insurance settlements. Any expenditure that has not been recoverable from insurers, or other sources, has been met from City Council resources. The Council has set aside £2.014million from its own reserves and the balance of settlements in order to complete the reinstatement work to the remaining assets to be brought back into use, namely, Bitts Park Lodge and Civic Centre.

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 2018. Included in the Comprehensive Income and Expenditure Statement within Services are downward revaluations totalling £1.227million 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 £6.561million.

### **(iii) Economic Climate**

The Council continued to experience the effects of low interest rates in 2016/17, however the slight increase in bank rates part way through the year brought some slight improvements in investment returns. Expenditure on employee costs increased from 2016/17 levels from £16.628million to £16.898million. Other expenditure decreased from 2016/17 levels of £47.815million to £46.572million, however, this was because of reduced amount of flooding expenditure being incurred in 2016/17 compared to 2015/16.

### **(iv) Key Risks**

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- There is a risk that the Government fails to communicate changes to future local government funding from 2019 in a timely manner, meaning that the City Council cannot effectively prepare for these changes;
- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions;
- There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take these forward in a progressive manner that meets the Council's aspirations.

- There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium Term Financial Plan.

These risks are monitored to ensure they are mitigated and managed as far as possible.

#### **(v) Key Opportunities**

The Council is moving forward with its plans to improve efficiencies in service delivery. The Transformation Senior Management Team (SMT) sub-group has continued to develop Smarter Service Delivery with the continued development of a new Customer Relationship Management (CRM) System to further increase the shift of customers to digital and self-service options a key opportunity.

The Council has also made improvements in its Information Technology with a move to Cloud platforms progressing to provide resilience and cost savings. This together with the implementation of Office 365 across the Authority will help counteract risks from cyber security breaches and information management.

The Council continues to develop the partnership arrangement with ChanceryGate for the management and development of Kingstown Industrial Estate. This partnership will look at key investment opportunities for the estate in order to provide economic benefits and ensure the estate continues to provide an investment return for the Council.

### **1.8 Council Priorities**

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 communicates 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 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 eleven '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 Council operates with the following core principles that underpin the Carlisle Plan:

- We will be a clear, committed and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses and visitors. Our plans to respond to these needs are clear and

straightforward. We know what is expected of us and do our best to create clarity in how we work.

- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.
- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

Further information on the Council's priorities and achievement of key objectives is given in the Annual Governance Statement.

### **Operational Model**

The Council received the majority of its funding from taxation - Council Tax (£7.3million) levied on residents and Business Rates (£4.3million) levied on Businesses. It also received funding from Central Government in the form of Specific Grants such as Revenue Support Grant, New Homes Bonus and Housing Benefit Administration Grant.

As well as core funding sources, the Council also relies heavily on income from fees and charges and also rental income from its significant asset portfolio. These provide a valuable source of funding that can then be used to supplement the service delivery for the residents of Carlisle.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. The key services the Council delivers are waste collection, street cleaning, bereavement services, green spaces, leisure and cultural provision, homelessness and private sector housing support, regulatory services such as environmental health, planning and building control.

Employees are valuable asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Carlisle. The Council also has partnerships with external organisations for the delivery of its leisure and cultural services.

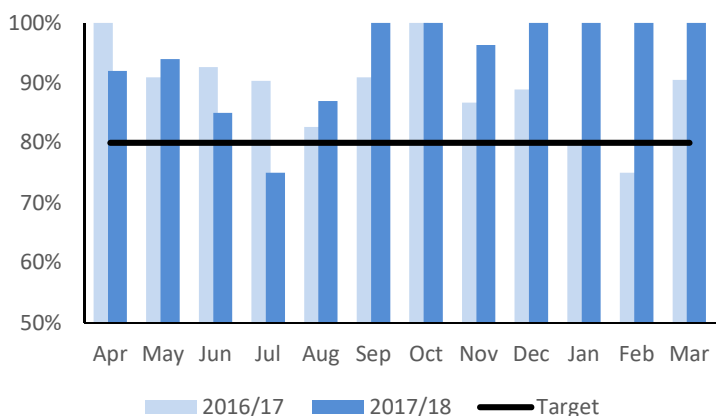
In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it has to ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has managed to continue to set a balanced budget.

In 2017/18 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council could deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

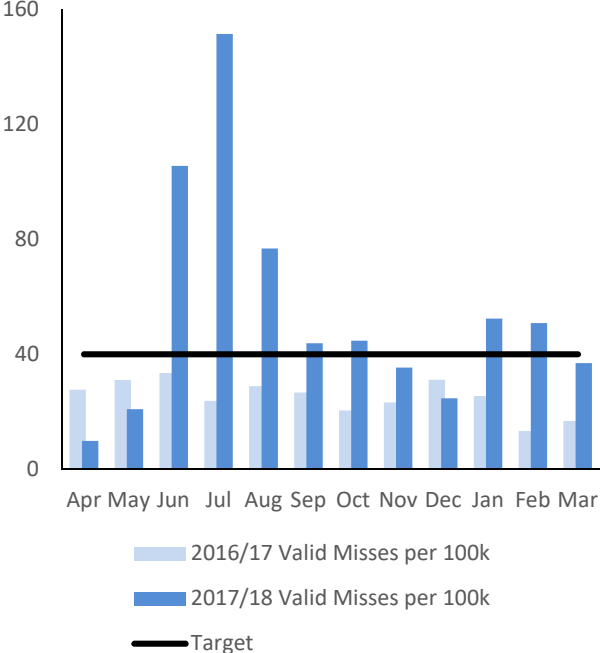
## 1.9 Non-Financial Performance

The year-end position of the Council's Service Standards is shown below:

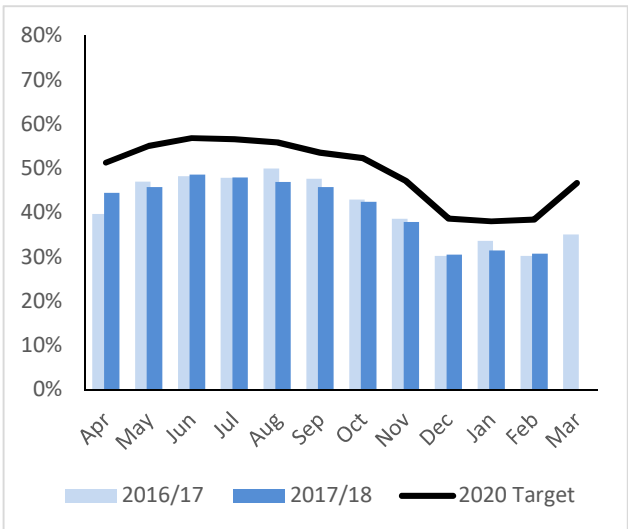
### Percentage of Household Planning Applications processed within eight weeks

| Service Standard               | 2017/18                       | Performance by Month  | Further Information |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
|--------------------------------|-------------------------------|---|---------------------|-------------|-------------|-----|-----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|-----|-----|-----|-----|-----|----|----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|--|
| 80%<br>(Nationally set target) | 93.4%<br><br>(2016/17: 89.8%) |  <table><caption>Approximate data for Percentage of Household Planning Applications processed within eight weeks</caption><thead><tr><th>Month</th><th>2016/17 (%)</th><th>2017/18 (%)</th></tr></thead><tbody><tr><td>Apr</td><td>100</td><td>92</td></tr><tr><td>May</td><td>90</td><td>94</td></tr><tr><td>Jun</td><td>92</td><td>85</td></tr><tr><td>Jul</td><td>90</td><td>75</td></tr><tr><td>Aug</td><td>82</td><td>87</td></tr><tr><td>Sep</td><td>90</td><td>100</td></tr><tr><td>Oct</td><td>100</td><td>100</td></tr><tr><td>Nov</td><td>87</td><td>96</td></tr><tr><td>Dec</td><td>89</td><td>100</td></tr><tr><td>Jan</td><td>78</td><td>100</td></tr><tr><td>Feb</td><td>75</td><td>100</td></tr><tr><td>Mar</td><td>90</td><td>100</td></tr></tbody></table> <p>2016/17    2017/18    — Target</p> | Month               | 2016/17 (%) | 2017/18 (%) | Apr | 100 | 92 | May | 90 | 94 | Jun | 92 | 85 | Jul | 90 | 75 | Aug | 82 | 87 | Sep | 90 | 100 | Oct | 100 | 100 | Nov | 87 | 96 | Dec | 89 | 100 | Jan | 78 | 100 | Feb | 75 | 100 | Mar | 90 | 100 | 288 household planning applications have been processed 2017/18 compared with 265 last year. |
|                                | Month                         | 2016/17 (%)   | 2017/18 (%)         |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
|                                | Apr                           | 100   | 92                  |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| May                            | 90                            | 94  |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Jun                            | 92                            | 85  |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Jul                            | 90                            | 75  |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Aug                            | 82                            | 87  |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Sep                            | 90                            | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Oct                            | 100                           | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Nov                            | 87                            | 96  |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Dec                            | 89                            | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Jan                            | 78                            | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Feb                            | 75                            | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| Mar                            | 90                            | 100   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| On target?                     |                               |   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |
| ✓                              |                               |   |                     |             |             |     |     |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |     |     |     |     |     |    |    |     |    |     |     |    |     |     |    |     |     |    |     |  |

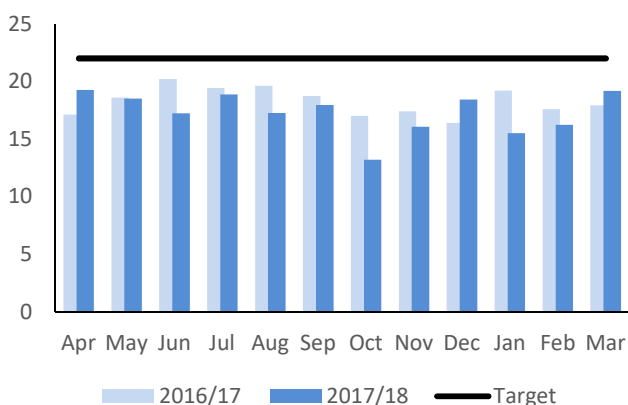
### Number of missed waste or recycling collections

| Service Standard                                      | 2017/18               | Performance by Month  | Further Information           |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
|---|-----------------------|---|-------------------------------|-------------------------------|-------------------------------|-----|----|----|-----|----|----|-----|----|-----|-----|----|-----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|--|
| 40 missed collections per 100,000 (Industry standard) | 53.3<br>(2016/17: 25) |  <table border="1"><caption>Missed Collections per 100k by Month</caption><thead><tr><th>Month</th><th>2016/17 Valid Misses per 100k</th><th>2017/18 Valid Misses per 100k</th></tr></thead><tbody><tr><td>Apr</td><td>25</td><td>10</td></tr><tr><td>May</td><td>25</td><td>20</td></tr><tr><td>Jun</td><td>25</td><td>100</td></tr><tr><td>Jul</td><td>25</td><td>150</td></tr><tr><td>Aug</td><td>25</td><td>75</td></tr><tr><td>Sep</td><td>25</td><td>45</td></tr><tr><td>Oct</td><td>25</td><td>45</td></tr><tr><td>Nov</td><td>25</td><td>35</td></tr><tr><td>Dec</td><td>25</td><td>25</td></tr><tr><td>Jan</td><td>25</td><td>55</td></tr><tr><td>Feb</td><td>25</td><td>55</td></tr><tr><td>Mar</td><td>25</td><td>35</td></tr></tbody></table> | Month                         | 2016/17 Valid Misses per 100k | 2017/18 Valid Misses per 100k | Apr | 25 | 10 | May | 25 | 20 | Jun | 25 | 100 | Jul | 25 | 150 | Aug | 25 | 75 | Sep | 25 | 45 | Oct | 25 | 45 | Nov | 25 | 35 | Dec | 25 | 25 | Jan | 25 | 55 | Feb | 25 | 55 | Mar | 25 | 35 | Nearly 4,000,000 collections were made in the year with 99.94% success rate. Just 0.05% were missed (2,101 collections). This is despite the major changes to the collection rounds in June. The severe weather incident at the end of February impacted on our resources as they were diverted to other tasks/activities. |
|   | Month                 |   | 2016/17 Valid Misses per 100k | 2017/18 Valid Misses per 100k |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
|   | Apr                   |   | 25                            | 10                            |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| May   | 25                    | 20  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jun   | 25                    | 100   |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jul   | 25                    | 150   |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Aug   | 25                    | 75  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Sep   | 25                    | 45  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Oct   | 25                    | 45  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Nov   | 25                    | 35  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Dec   | 25                    | 25  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jan   | 25                    | 55  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Feb   | 25                    | 55  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Mar   | 25                    | 35  |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| On target?  |                       |   |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| ✗   |                       |   |                               |                               |                               |     |    |    |     |    |    |     |    |     |     |    |     |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |

**Percentage of household waste sent for recycling**

| Service Standard                       | 2017/18 to end of Feb     | Performance by Month   | Further Information  |
|--|---------------------------|--|--|
| 50% by 2020<br>(Nationally set target) | 41.9%<br>(2016/17: 41.9%) |  <p>80%<br/>70%<br/>60%<br/>50%<br/>40%<br/>30%<br/>20%<br/>10%<br/>0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2016/17 2017/18 2020 Target</p> | Recycling rates nationally have stagnated and even reduced in some areas. This is being looked at regionally as part of the Cumbria strategic waste partnership. Locally, plans are in place to increase rates through a range of activities, campaigns, service monitoring and increased use of data and intelligence to identify areas of low recycling. |
|  | On target?                |  |  |
|  | ×                         |  |  |

**Average number of days to process new benefits claims**

| Service Standard   | 2017/18                           | Performance by Month   | Further Information   |
|--|-----------------------------------|--|---|
| New claims should be processed within 22 days to achieve top two quartiles compared to other local authorities | 17.4 days<br>(2016/17: 18.2 days) |  <p>25<br/>20<br/>15<br/>10<br/>5<br/>0</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2016/17 2017/18 Target</p> | 3751 new claims in 2017/18 – increase of 3.02% compared to same period in 2016/17 (3,641 New Claims). |
|  | On target?                        |  |   |
|  | ✓                                 |  |   |

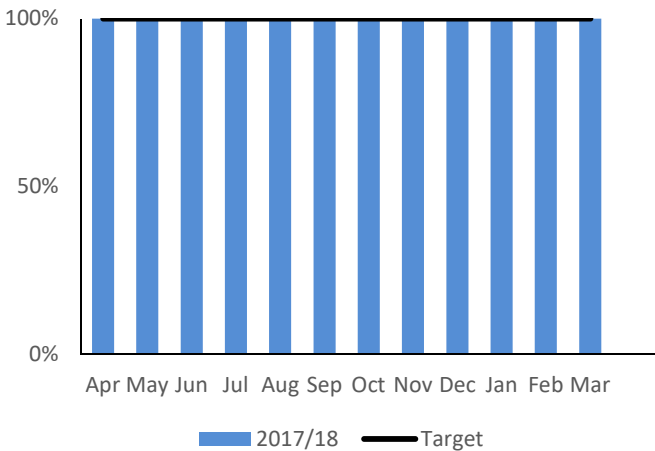
**Percentage of Corporate Complaints dealt with within timescale**

| Service Standard   | 2017/18                 | Performance by Quarter  | Further Information   |
|--|-------------------------|---|---|
| Corporate complaints should be dealt with within 15 working days | 96.9%<br>(2016/17: 95%) | <p>100%<br/>80%<br/>60%<br/>40%<br/>20%<br/>0%</p> <p>Quarter 1 Quarter 2 Quarter 3 Quarter 4</p> <p>2016/17 2017/18 Target</p> | 62 out of 64 corporate complaints have been completed on time in 2017/18. 59 complaints were made last year. Six complaints have been referred to the Ombudsman in 2017/18 but the Council has not found to be at fault with any of them. |
|  | On target?              |   |   |
|  | ▲                       |   |   |

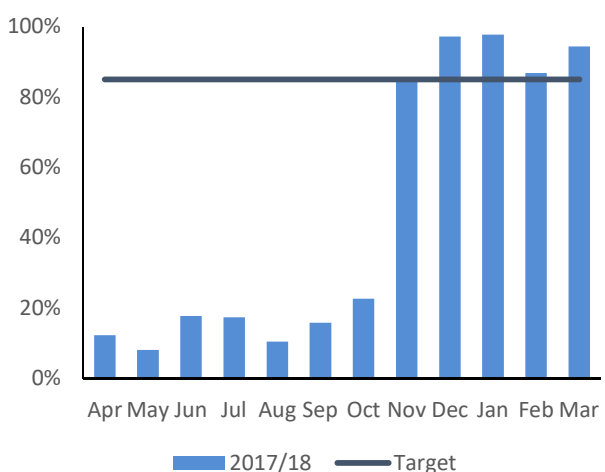
**Proportion of food businesses that are broadly compliant or better with food safety legislation**

| Service Standard   | Rolling figure to end of Quarter 4 2017/18 | Performance  | Further Information   |
|--|--|--|---|
| Our work with local food businesses should ensure that 96% are at least broadly compliant. | 99%  | <p>100%<br/>75%<br/>50%</p> <p>Quarter 2 Quarter 3 Quarter 4</p> <p>2017/18 Target</p> | Approximately 200 premises are inspected each quarter. All premises are inspected at least once every eighteen months. Up to the end of March, 1089 out of 1096 inspections were broadly compliant. |
|  | On target?                                 |  |   |
|  | ✓  |  |   |

**Proportion of non-contentious licence applications completed on time**

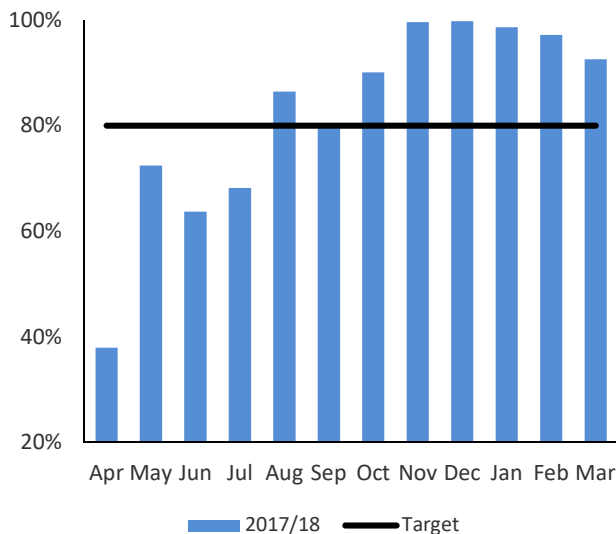
| Service Standard  | 2017/18    | Performance by Month  | Further Information  |
|---|------------|---|--|
| 100% of non-contentious licence applications should be completed within 10 working days | 100%       |  <p>100% of non-contentious licence applications should be completed within 10 working days</p> | <p>871 applications made and completed in the year</p> <p>2016/17 99.6% of 1005 applications were completed on time.</p> |
|   | On target? |   |  |
|   | ✓          |   |  |

**Proportion of official local authority searches completed on time**

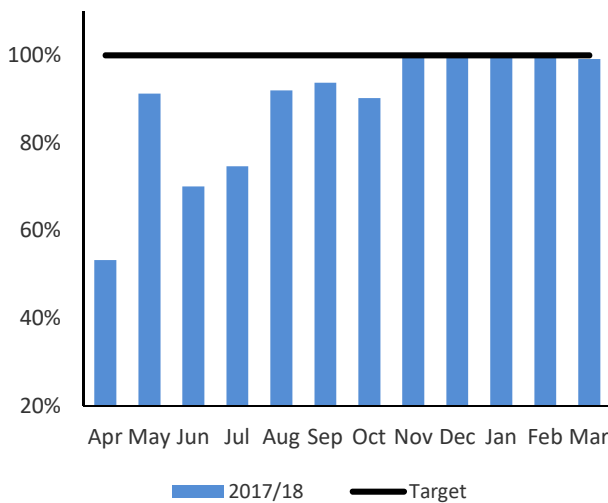
| Service Standard  | 2017/18    | Performance by Month  | Further Information   |
|---|------------|---|---|
| 85% of official local authority searches should be completed within 10 working days | 42%        |  <p>85% of official local authority searches should be completed within 10 working days</p> | <p>717 searches were completed in 2017/18. To address the backlog in applications, changes were made to the process and resources were reallocated within the service in the Autumn. This has resulted in on-target performance of 91% since November and 92% in Quarter 4.</p> |
|   | On target? |   |   |
|   | ✗          |   |   |



**Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)**

| Service Standard                     | 2017/18 | Performance by Month   | Further Information                             |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
|--------------------------------------|---------|--|---|-------------------------|------------|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|-----|----|----|--|
| 80% delivered within 10 working days | 78%     |  <table><thead><tr><th>Month</th><th>2017/18 Performance (%)</th><th>Target (%)</th></tr></thead><tbody><tr><td>Apr</td><td>38</td><td>80</td></tr><tr><td>May</td><td>72</td><td>80</td></tr><tr><td>Jun</td><td>63</td><td>80</td></tr><tr><td>Jul</td><td>68</td><td>80</td></tr><tr><td>Aug</td><td>85</td><td>80</td></tr><tr><td>Sep</td><td>80</td><td>80</td></tr><tr><td>Oct</td><td>88</td><td>80</td></tr><tr><td>Nov</td><td>98</td><td>80</td></tr><tr><td>Dec</td><td>98</td><td>80</td></tr><tr><td>Jan</td><td>96</td><td>80</td></tr><tr><td>Feb</td><td>95</td><td>80</td></tr><tr><td>Mar</td><td>90</td><td>80</td></tr></tbody></table> | Month   | 2017/18 Performance (%) | Target (%) | Apr | 38 | 80 | May | 72 | 80 | Jun | 63 | 80 | Jul | 68 | 80 | Aug | 85 | 80 | Sep | 80 | 80 | Oct | 88 | 80 | Nov | 98 | 80 | Dec | 98 | 80 | Jan | 96 | 80 | Feb | 95 | 80 | Mar | 90 | 80 | Quarter 4 performance was 96%.<br><br>Performance dipped in the early part of the year but since the start of the summer, and following remedial action, our delivery times have experienced an improving trend. |
|                                      | Month   |  | 2017/18 Performance (%)                         | Target (%)              |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
|                                      | Apr     |  | 38  | 80                      |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| May                                  | 72      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jun                                  | 63      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jul                                  | 68      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Aug                                  | 85      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Sep                                  | 80      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Oct                                  | 88      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Nov                                  | 98      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Dec                                  | 98      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Jan                                  | 96      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Feb                                  | 95      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| Mar                                  | 90      | 80   |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
| On target?                           |         |  |   |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |
|                                      | ▲       |  | Nearly 10,000 orders were delivered in 2017/18. |                         |            |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |     |    |    |  |

**Proportion of new waste and recycling bins, bags and containers delivered on time (within 15 working days)**

| Service Standard                      | 2017/18 | Performance by Month  | Further Information                             |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
|---------------------------------------|---------|---|---|-------------------------|------------|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------------------------|
| 100% delivered within 15 working days | 85%     |  <table><thead><tr><th>Month</th><th>2017/18 Performance (%)</th><th>Target (%)</th></tr></thead><tbody><tr><td>Apr</td><td>52</td><td>100</td></tr><tr><td>May</td><td>90</td><td>100</td></tr><tr><td>Jun</td><td>70</td><td>100</td></tr><tr><td>Jul</td><td>75</td><td>100</td></tr><tr><td>Aug</td><td>90</td><td>100</td></tr><tr><td>Sep</td><td>92</td><td>100</td></tr><tr><td>Oct</td><td>88</td><td>100</td></tr><tr><td>Nov</td><td>100</td><td>100</td></tr><tr><td>Dec</td><td>100</td><td>100</td></tr><tr><td>Jan</td><td>100</td><td>100</td></tr><tr><td>Feb</td><td>100</td><td>100</td></tr><tr><td>Mar</td><td>100</td><td>100</td></tr></tbody></table> | Month   | 2017/18 Performance (%) | Target (%) | Apr | 52 | 100 | May | 90 | 100 | Jun | 70 | 100 | Jul | 75 | 100 | Aug | 90 | 100 | Sep | 92 | 100 | Oct | 88 | 100 | Nov | 100 | 100 | Dec | 100 | 100 | Jan | 100 | 100 | Feb | 100 | 100 | Mar | 100 | 100 | Quarter 4 performance was 99.5%. |
|                                       | Month   |   | 2017/18 Performance (%)                         | Target (%)              |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
|                                       | Apr     |   | 52  | 100                     |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| May                                   | 90      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Jun                                   | 70      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Jul                                   | 75      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Aug                                   | 90      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Sep                                   | 92      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Oct                                   | 88      | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Nov                                   | 100     | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Dec                                   | 100     | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Jan                                   | 100     | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Feb                                   | 100     | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| Mar                                   | 100     | 100   |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
| On target?                            |         | Performance dipped in the early part of the year but since the start of the summer, and following remedial action, our delivery times have experienced an improving trend.  |   |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |
|                                       | ✗       |   | Nearly 10,000 orders were delivered in 2017/18. |                         |            |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |                                  |

### **Average number of working days to process benefit claimants' changes of personal details**

| Service Standard                           | 2017/18  | Performance by Month   | Further Information |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
|--|----------|--|---------------------|----------------|---------------|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|----|--|
| Changes should be processed within 10 days | 4.5 days | <table><caption>Monthly Performance Data (2017/18)</caption><thead><tr><th>Month</th><th>2017/18 (Days)</th><th>Target (Days)</th></tr></thead><tbody><tr><td>Apr</td><td>4.5</td><td>10</td></tr><tr><td>May</td><td>5.0</td><td>10</td></tr><tr><td>Jun</td><td>5.5</td><td>10</td></tr><tr><td>Jul</td><td>6.0</td><td>10</td></tr><tr><td>Aug</td><td>4.5</td><td>10</td></tr><tr><td>Sep</td><td>5.5</td><td>10</td></tr><tr><td>Oct</td><td>5.0</td><td>10</td></tr><tr><td>Nov</td><td>5.0</td><td>10</td></tr><tr><td>Dec</td><td>5.0</td><td>10</td></tr><tr><td>Jan</td><td>5.0</td><td>10</td></tr><tr><td>Feb</td><td>2.0</td><td>10</td></tr><tr><td>Mar</td><td>5.0</td><td>10</td></tr></tbody></table> | Month               | 2017/18 (Days) | Target (Days) | Apr | 4.5 | 10 | May | 5.0 | 10 | Jun | 5.5 | 10 | Jul | 6.0 | 10 | Aug | 4.5 | 10 | Sep | 5.5 | 10 | Oct | 5.0 | 10 | Nov | 5.0 | 10 | Dec | 5.0 | 10 | Jan | 5.0 | 10 | Feb | 2.0 | 10 | Mar | 5.0 | 10 | Nearly thirty-six thousand changes have been processed in the year. February's high processing speeds are due to the annual recalculations on claimants' accounts. |
|  | Month    |  | 2017/18 (Days)      | Target (Days)  |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
|  | Apr      |  | 4.5                 | 10             |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| May  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Jun  | 5.5      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Jul  | 6.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Aug  | 4.5      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Sep  | 5.5      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Oct  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Nov  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Dec  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Jan  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Feb  | 2.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| Mar  | 5.0      | 10   |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| On target?                                 |          |  |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |
| ✓  |          |  |                     |                |               |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |     |     |    |  |

#### **1.10 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.

#### **1.11 Workforce**

As at 31 March 2018 the Council employed 459 employees. This was split 241 females and 218 males. There were 322 full time employees with 137 part-time/job-share.

As at 31 March 2017 the Council employed 448 employees. This was split 229 females and 219 males. There were 311 full time employees with 137 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2017/18 paid over £35,807 into its Digital Apprenticeship Service Account. The Council accessed £3,605.54 of funding for apprenticeship training in 2017/18, with the balance carried forward being £34,198.88 (including top up funding of £1,997.42) which can be accessed in 2018/19.

#### **1.12 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 Note 4.13.

#### **1.13 Major Influences on the Authority**

During 2017/18 the Council has continued with its programme of transformational change in order to make savings and efficiency savings in light of reducing funding levels.

### **1.14 Going Concern**

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium Term Financial Plan (MTFP). The usable cash reserves position (£12.088million) remains healthy and on the Balance Sheet the Current Assets position of £17.812million is higher than Current Liabilities position of £6.743million so liquidity in the short term is positive.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£1.188million), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, flooding expenditure and employee remuneration).

### **1.15 Events after the Balance Sheet Date**

Events taking place after the 31 March 2018 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **1.16 Accounting Policy Information**

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2017/18 Code of Practice on Local Authority Accounting.

### **1.17 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:



S Tickner – Deputy Chief Finance Officer (Deputy S.151 Officer)

Date:

18 July 2018

## 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 2018 and its income and expenditure for the year ended 31 March 2018.

Signed:

Steven Tickner  
Deputy Chief Finance Officer (Deputy S.151 Officer)

Date:

18 July 2018

## SECTION 3 – FINANCIAL STATEMENTS

### 3.1 Comprehensive Income and Expenditure Statement

| 2016/17 Restated    |                 |               |  | Note        | 2017/18             |                 |                |
|---------------------|-----------------|---------------|--|-------------|---------------------|-----------------|----------------|
| Expenditure<br>£000 | Income<br>£000  | Net<br>£000   |  |             | Expenditure<br>£000 | Income<br>£000  | Net<br>£000    |
| 15,794              | (6,370)         | 9,424         | Community Services   |             | 15,902              | (5,882)         | 10,020         |
| 3,249               | (1,686)         | 1,563         | Economic Development   |             | 3,872               | (2,637)         | 1,235          |
| 32,358              | (31,273)        | 1,085         | Corporate Support & Resources  |             | 30,842              | (29,132)        | 1,710          |
| 8,311               | (3,565)         | 4,746         | Governance & Regulatory Services   |             | 8,967               | (4,303)         | 4,664          |
| 1,133               | (80)            | 1,053         | Corporate Management   |             | 437                 | (87)            | 350            |
| 3,302               | (5,013)         | (1,711)       | Exceptional Item - Flooding  |             | 3,214               | (7,221)         | (4,007)        |
| <b>64,147</b>       | <b>(47,987)</b> | <b>16,160</b> | <b>Cost of Services</b>  | <b>4.13</b> | <b>63,234</b>       | <b>(49,262)</b> | <b>13,972</b>  |
| 589                 | (217)           | 372           | Other Operating Expenditure  | 4.9         | 946                 | (718)           | 228            |
| 5,494               | (5,075)         | 419           | Financing and Investment Income and Expenditure                          | 4.10        | 9,975               | (4,959)         | 5,016          |
| 0                   | (2)             | (2)           | Surplus or Deficit of Discontinued Operations                            |             | 0                   | 0               | 0              |
| 0                   | (17,334)        | (17,334)      | Taxation and Non-Specific Grant Income                                   | 4.11        | 0                   | (17,676)        | (17,676)       |
| <b>70,230</b>       | <b>(70,615)</b> | <b>(385)</b>  | <b>(Surplus) or Deficit on Provision of Services</b>                     | <b>4.13</b> | <b>74,155</b>       | <b>(72,615)</b> | <b>1,540</b>   |
|                     |                 | (703)         | Surplus or Deficit on Revaluation of Non Current Assets                  | 4.40a       |                     |                 | 668            |
|                     |                 | 51            | Surplus or Deficit on Revaluation of Available for Sale Financial Assets | 4.40f       |                     |                 | (152)          |
|                     |                 | 499           | Remeasurements of the Net Defined Benefit Liability / (Asset)            | 4.40c       |                     |                 | (8,852)        |
|                     |                 | <b>(153)</b>  | <b>Other Comprehensive Income &amp; Expenditure</b>                      |             |                     |                 | <b>(8,336)</b> |
|                     |                 | <b>(538)</b>  | <b>Total Comprehensive Income &amp; Expenditure</b>                      |             |                     |                 | <b>(6,796)</b> |

### 3.2 Movement in Reserves Statement

| 2017/18  | Note | General Fund Balances<br>£000 | Deferred Credits<br>£000 | Capital Grant Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|------|-------------------------------|--------------------------|---------------------------------|-------------------------------|---------------------------|----------------------------------|
| <b>Balance at 31 March 2017</b>  |      | <b>8,400</b>                  | <b>20</b>                | <b>171</b>                      | <b>8,591</b>                  | <b>103,627</b>            | <b>112,218</b>                   |
| <b>Movement in reserves during 2017/18</b>                               |      |                               |                          |                                 |                               |                           |                                  |
| Total Comprehensive Income and Expenditure                               |      | (1,540)                       | 0                        | 0                               | (1,540)                       | 8,336                     | 6,796                            |
| Adjustments between accounting basis and funding basis under regulations | 4.4  | 5,072                         | 0                        | (35)                            | 5,037                         | (5,037)                   | 0                                |
| <b>Increase/Decrease in Year</b>   |      | <b>3,532</b>                  | <b>0</b>                 | <b>(35)</b>                     | <b>3,497</b>                  | <b>3,299</b>              | <b>6,796</b>                     |
| <b>Balance at 31 March 2018</b>  |      | <b>11,932</b>                 | <b>20</b>                | <b>136</b>                      | <b>12,088</b>                 | <b>106,926</b>            | <b>119,014</b>                   |
|  |      |                               |                          |                                 |                               |                           |                                  |

| 2016/17  | Note | General Fund Balances<br>£000 | Deferred Credits<br>£000 | Capital Grant Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|------|-------------------------------|--------------------------|---------------------------------|-------------------------------|---------------------------|----------------------------------|
| <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>                   |
| <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 | 4.4  | 24                            | 0                        | (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>                       |
| <b>Balance at 31 March 2017</b>  |      | <b>8,400</b>                  | <b>20</b>                | <b>171</b>                      | <b>8,591</b>                  | <b>103,627</b>            | <b>112,218</b>                   |
|  |      |                               |                          |                                 |                               |                           |                                  |



### 3.3 Balance Sheet

| 31 March<br>2017 |                 | Note                               | 31 March<br>2018 |                 |
|------------------|-----------------|------------------------------------|------------------|-----------------|
| £000             | £000            |                                    | £000             | £000            |
| 200              |                 | 4.28                               |                  |                 |
| 30,101           |                 |                                    | 198              |                 |
| 3,698            |                 |                                    | 29,586           |                 |
| 3,971            |                 |                                    | 5,082            |                 |
| 5,750            |                 |                                    | 4,021            |                 |
|                  |                 |                                    | 6,677            |                 |
| 1,578            |                 |                                    | 1,153            |                 |
| 12               |                 |                                    | 25               |                 |
|                  | 45,310          |                                    |                  | 46,742          |
| 92,783           |                 | 4.30                               | 87,484           |                 |
| 85               |                 |                                    | 59               |                 |
| 19,528           |                 | 4.32                               | 19,502           |                 |
| 3,230            |                 | 4.34b                              | 3,383            |                 |
| 155              |                 |                                    | 144              |                 |
| 8                |                 |                                    | 0                |                 |
|                  | 115,789         |                                    |                  | 110,572         |
|                  | <b>161,099</b>  | <b>Total Long Term Assets</b>      |                  | <b>157,314</b>  |
|                  | 10,513          | 4.34b                              |                  | 7,508           |
| 0                |                 | 4.37                               |                  | 382             |
| 2,690            |                 | 4.36                               |                  | 789             |
| 77               |                 |                                    |                  | 45              |
| 6,645            |                 | 4.35                               | 8,602            |                 |
| 917              |                 |                                    | 486              |                 |
|                  | 7,562           |                                    |                  | 9,088           |
|                  | <b>20,842</b>   | <b>Total Current Assets</b>        |                  | <b>17,812</b>   |
| (431)            |                 | 4.39                               | (260)            |                 |
| (719)            |                 | 4.39                               | (688)            |                 |
|                  | (1,150)         |                                    |                  | (948)           |
|                  | (482)           | 4.34a                              |                  | (482)           |
| (7,705)          |                 | 4.38                               | (4,684)          |                 |
| (1,027)          |                 |                                    | (629)            |                 |
|                  | (8,732)         |                                    |                  | (5,313)         |
|                  | (623)           |                                    |                  | 0               |
|                  | <b>(10,987)</b> | <b>Total Current Liabilities</b>   |                  | <b>(6,743)</b>  |
|                  | (1,213)         | 4.38                               |                  | (905)           |
| (15,000)         |                 | 4.34a                              |                  | (15,000)        |
| (494)            |                 | 4.39                               |                  | (417)           |
| (42,029)         |                 | 4.43                               |                  | (33,047)        |
|                  | <b>(58,736)</b> | <b>Total Long Term Liabilities</b> |                  | <b>(49,369)</b> |
|                  | <b>112,218</b>  | <b>Net Assets</b>                  |                  | <b>119,014</b>  |

| 31 March 2017 |                | Balance Sheet (Cont.)              | Note | 31 March 2018 |                |
|---------------|----------------|------------------------------------|------|---------------|----------------|
| £000          | £000           |                                    |      | £000          | £000           |
| 20            |                | <b>Usable Reserves</b>             | 4.6  | 20            |                |
| 4,194         |                | Deferred Credits                   |      | 5,700         |                |
| 4,206         |                | General Fund Reserves              | 4.6  | 6,232         |                |
| 171           |                | Earmarked Reserves                 |      | 136           |                |
|               |                | Capital Grants Unapplied Account   |      |               |                |
|               | 8,591          | <b>Total Usable Reserves</b>       |      |               | 12,088         |
| (42,029)      |                | <b>Unusable reserves</b>           | 4.40 | (34,938)      |                |
| 394           |                | Pension Reserve                    |      | 546           |                |
| (172)         |                | Available for Sale Reserve         |      | (174)         |                |
| 117,353       |                | Employee Benefit Reserve           |      | 114,754       |                |
| (5)           |                | Capital Adjustment Account         |      | (165)         |                |
| 28,086        |                | Collection Fund Adjustment Account |      | 26,903        |                |
|               |                | Revaluation Reserve                |      |               |                |
|               | 103,627        | <b>Total Unusable Reserves</b>     |      |               | 106,926        |
|               | <b>112,218</b> | <b>Total Reserves</b>              |      |               | <b>119,014</b> |

Certified that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Signed:



A Taylor – Chief Finance Officer


S Tickner – Deputy Chief Finance Officer  
(Deputy S.151 Officer)

Date: 30 May 2018

18 July 2018

These accounts were originally authorised for issue on 30 May 2018 and have been subsequently re-authorised for issue on 18 July 2018.

Approved by Audit Committee on 30 July 2018

Signed:



Chair of Audit Committee

Date: 30 July 2018

### 3.4 Cash Flow Statement

| 2016/17<br>£000 |   | Note | 2017/18<br>£000 |
|-----------------|---|------|-----------------|
| (385)           | <b>Net (surplus) or deficit on the provision of services</b>  |      | 1,540           |
| (3,215)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 4.48 | (9,696)         |
| 2,366           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 4.48 | 2,202           |
| <b>(1,234)</b>  | <b>Net cash flows (inflows)/outflows from Operating Activities</b>  |      | <b>(5,954)</b>  |
| 213             | Investing Activities  | 4.49 | 3,542           |
| (919)           | Financing Activities  | 4.49 | 4,313           |
| <b>(1,940)</b>  | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | <b>1,901</b>    |
| 750             | Cash and cash equivalents at the beginning of the reporting period  |      | 2,690           |
| <b>2,690</b>    | Cash and cash equivalents at the end of the reporting period  |      | <b>789</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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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 3% of the Council's capital financing requirement at the start of the financial year on a straight line basis. 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 on the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS37 and involves the payment of termination benefits.

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 2.7%.
- 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 73% 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 4.43 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 2017/18 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

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 2017/18 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 4.34 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 4.0.16 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 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.

### **4.0.13 Investment Property**

Investment properties are those that are used solely to earn rentals and for capital appreciation or both. The definition is not met if the property is used in the production or supply of goods or services or for administrative purposes, 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.

### **4.0.14 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.

#### **4.0.15 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. 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.

#### **4.0.16 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.

De-minimis 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 current 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 – depreciated historical cost
- assets under construction – historic cost
- dwellings – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current 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 current 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:

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

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

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

### **Componentisation**

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

**Component**

|                                |
|--------------------------------|
| Heating and Ventilation System |
| Windows                        |
| Electrical                     |
| Water Systems                  |
| Roofing                        |
| Lifts                          |

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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.

**4.0.17 Current and 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 current or fair value at each reporting date. Current or 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 current or 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 current or 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 current or fair value is measured or disclosed in the council's financial statements are categorised within the current or 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.

#### **4.0.18 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.

**4.0.19 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.

**4.0.20 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.

**4.0.21 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.

**4.0.22 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 2017/18 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.

- IFRS9 – Financial Instruments (Issued July 2014)  
Introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets based on the contractual cashflows and business model for holding the assets. This may result in amounts currently held in the Financial Instruments Available for Sale Reserve for increases in investment capital values being credited into the General Fund. The recognition of expected credit losses is not anticipated to be material
- IFRS15 – Revenue from Contracts with Customers (Issued May 2014) & Amendments to IFRS15 – Revenue Contracts with Customers (Issued April 2016)  
Presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council will review its contractual revenue streams to ensure income recognition is in line with the new standard, it is anticipated that the relevant income streams will already be consistent with the new requirements;
- Amendments to IAS7 – Statement of Cash Flows: Disclosure Initiative (Issues January 2016)  
This may impact on the presentation of some elements of the cash flow statement.

The effect of these changes will be assessed and where necessary figures will be restated in the Financial Statements for 2018/19.

## 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 (£46.742million at 31.03.18)         | 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 £244,000 for every year that useful lives had to be reduced. |
| Debtors & Creditors (£8.602million and £4.684million at 31.03.18) | 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 2018/19 that differ from the accrual made will result in the difference being funded from the 2018/19 budget.  |
| Pension Liability (£33.047million at 31.03.18)                    | 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 £3.075million   |
| Business Rate Appeals Provision (£1.721million at 31.03.18)       | The Business Rates appeals provision is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2018. 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 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 2017/18:

- Income relating to the administration and payments of Benefits (including Discretionary Housing Payments) was received from Central Government totalling £26,292,197 (2016/17 £26,985,917) with corresponding payments of benefits totalling £27,077,656 (2016/17 £27,826,047). Housing Benefit Overpayment Income of £1,028,707 was received in 2017/18, (2016/17 £955,294).
- Council tax income of £7,248,727 (2016/17 £6,992,333) was credited to the Comprehensive Income and Expenditure Statement.
- Retained Business Rates £5,589,572 (2016/17 £4,511,131).

- Net Downward revaluations of Property Plant and Equipment of £1.227million (2016/17 £1.659million).
- Net downward revaluations of Investment Property of £6.561million (2016/17 £2.082million upward revaluation).
- Rental income from investment property of £4.470million (2016/17 £4.057million).

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

The Code of Practice no longer requires local authorities to apportion support service overheads to services, and any credits to Internal Trading need to be properly consolidated. The effect of internal recharges should be neutralised in determining what it really costs to provide a particular service. The Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA) have been restated to remove income from internal charges (2016/17 £2,342million).

### **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<br>balances | Capital<br>Receipts<br>Reserve | Capital Grants<br>Unapplied | Total Usable<br>Reserves | Total Unusable<br>reserves | Revaluation<br>Reserve | Pensions<br>Reserve | Capital<br>Adjustment<br>Account | Collection Fund<br>Adjustment<br>Account | Short Term<br>Compensated<br>Absences | Total Authority<br>Reserves |
|---|--------------------------|--------------------------------|-----------------------------|--------------------------|----------------------------|------------------------|---------------------|----------------------------------|--|---------------------------------------|-----------------------------|
| 2017/18   | £000                     | £000                           | £000                        | £000                     | £000                       | £000                   | £000                | £000                             | £000                                     | £000                                  | £000                        |
| <b>Adjustments to the Revenue Resources</b>   |                          |                                |                             |                          |                            |                        |                     |                                  |  |                                       |                             |
| <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:)</b> |                          |                                |                             |                          |                            |                        |                     |                                  |  |                                       |                             |
| Pension Costs   | 1,761                    | 0                              | 0                           | 1,761                    | (1,761)                    | 0                      | (1,761)             | 0                                | 0  | 0                                     | 0                           |
| Council Tax and NDR   | 160                      | 0                              | 0                           | 160                      | (160)                      | 0                      | 0                   | 0                                | (160)                                    | 0                                     | 0                           |
| Holiday Pay   | 2                        | 0                              | 0                           | 2                        | (2)                        | 0                      | 0                   | 0                                | 0  | (2)                                   | 0                           |
| Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:   |                          |                                |                             |                          |                            |                        |                     |                                  |  |                                       |                             |
| Depreciation  | 2,073                    | 0                              | 0                           | 2,073                    | (2,073)                    | 0                      | 0                   | (2,073)                          | 0  | 0                                     | 0                           |
| Impairment Losses charged to CIES   | 1,227                    | 0                              | 0                           | 1,227                    | (1,227)                    | 0                      | 0                   | (1,227)                          | 0  | 0                                     | 0                           |
| Capital Grants and Contributions Applied  | (3,495)                  | 0                              | 0                           | (3,495)                  | 3,495                      | 0                      | 0                   | 3,495                            | 0  | 0                                     | 0                           |
| Revenue Expenditure Funded from Capital Under Statute   | 1,737                    | 0                              | 0                           | 1,737                    | (1,737)                    | 0                      | 0                   | (1,737)                          | 0  | 0                                     | 0                           |
| Movement in Market Value of Investment Property   | 6,561                    | 0                              | 0                           | 6,561                    | (6,561)                    | 0                      | 0                   | (6,561)                          | 0  | 0                                     | 0                           |
| Non Current Assets Written off on disposal or sale  | 841                      | 0                              | 0                           | 841                      | (841)                      | 0                      | 0                   | (841)                            | 0  | 0                                     | 0                           |
| <b>Total Adjustments to Revenue Resources</b>   | <b>10,867</b>            | <b>0</b>                       | <b>0</b>                    | <b>10,867</b>            | <b>(10,867)</b>            | <b>0</b>               | <b>(1,761)</b>      | <b>(8,944)</b>                   | <b>(160)</b>                             | <b>(2)</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  | (928)                    | 928                            | 0                           | 0                        | 0                          | 0                      | 0                   | 0                                | 0  | 0                                     | 0                           |
| Statutory Provision for the repayment of debt - (Minimum revenue provision)   | (147)                    | 0                              | 0                           | (147)                    | 147                        | 0                      | 0                   | 147                              | 0  | 0                                     | 0                           |
| Capital Expenditure Financed from Revenue Balances  | (4,720)                  | 0                              | 0                           | (4,720)                  | 4,720                      | 0                      | 0                   | 4,720                            | 0  | 0                                     | 0                           |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>(5,795)</b>           | <b>928</b>                     | <b>0</b>                    | <b>(4,867)</b>           | <b>4,867</b>               | <b>0</b>               | <b>0</b>            | <b>4,867</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  | 0                        | (928)                          | 0                           | (928)                    | 928                        | 0                      | 0                   | 928                              | 0  | 0                                     | 0                           |
| Application of capital grants to finance capital expenditure  | 0                        | 0                              | (35)                        | (35)                     | 35                         | 0                      | 0                   | 35                               | 0  | 0                                     | 0                           |
| <b>Total Adjustments to Capital Resources</b>   | <b>0</b>                 | <b>(928)</b>                   | <b>(35)</b>                 | <b>(963)</b>             | <b>963</b>                 | <b>0</b>               | <b>0</b>            | <b>963</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>(515)</b>           | <b>0</b>            | <b>515</b>                       | <b>0</b>                                 | <b>0</b>                              | <b>0</b>                    |
| <b>Total Adjustments</b>  | <b>5,072</b>             | <b>0</b>                       | <b>(35)</b>                 | <b>5,037</b>             | <b>(5,037)</b>             | <b>(515)</b>           | <b>(1,761)</b>      | <b>(2,599)</b>                   | <b>(160)</b>                             | <b>(2)</b>                            | <b>0</b>                    |



|  | General Fund<br>balances | Capital<br>Receipts<br>Reserve | Capital Grants<br>Unapplied | Total Usable<br>Reserves | Total Unusable<br>reserves | Revaluation<br>Reserve | Pensions<br>Reserve | Capital<br>Adjustment<br>Account | Collection Fund<br>Adjustment<br>Account | Short Term<br>Compensated<br>Absences | Total Authority<br>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                    | 0                              | 0                           | 1,599                    | (1,599)                    | 0                      | (1,599)             | 0                                | 0  | 0                                     | 0                           |
| Council Tax and NDR  | (222)                    | 0                              | 0                           | (222)                    | 222                        | 0                      | 0                   | 0                                | 222                                      | 0                                     | 0                           |
| Holiday Pay  | (16)                     | 0                              | 0                           | (16)                     | 16                         | 0                      | 0                   | 0                                | 0  | 16                                    | 0                           |
| Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:  |                          |                                |                             |                          |                            |                        |                     |                                  |  |                                       |                             |
| Depreciation   | 1,843                    | 0                              | 0                           | 1,843                    | (1,843)                    | 0                      | 0                   | (1,843)                          | 0  | 0                                     | 0                           |
| Impairment Losses charged to CIES  | 1,659                    | 0                              | 0                           | 1,659                    | (1,659)                    | 0                      | 0                   | (1,659)                          | 0  | 0                                     | 0                           |
| Capital Grants and Contributions Applied   | (3,047)                  | 0                              | 0                           | (3,047)                  | 3,047                      | 0                      | 0                   | 3,047                            | 0  | 0                                     | 0                           |
| Revenue Expenditure Funded from Capital Under Statute  | 1,313                    | 0                              | 0                           | 1,313                    | (1,313)                    | 0                      | 0                   | (1,313)                          | 0  | 0                                     | 0                           |
| Movement in Market Value of Investment Property  | 2,082                    | 0                              | 0                           | 2,082                    | (2,082)                    | 0                      | 0                   | (2,082)                          | 0  | 0                                     | 0                           |
| Non Current Assets Written off on disposal or sale   | 254                      | 0                              | 0                           | 254                      | (254)                      | 0                      | 0                   | (254)                            | 0  | 0                                     | 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                          | 0                      | 0                   | 0                                | 0  | 0                                     | 0                           |
| Statutory Provision for the repayment of debt - (Minimum revenue provision)  | (516)                    | 0                              | 0                           | (516)                    | 516                        | 0                      | 0                   | 516                              | 0  | 0                                     | 0                           |
| Capital Expenditure Financed from Revenue Balances   | (4,009)                  | 0                              | 0                           | (4,009)                  | 4,009                      | 0                      | 0                   | 4,009                            | 0  | 0                                     | 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   | 0                        | (916)                          | 0                           | (916)                    | 916                        | 0                      | 0                   | 916                              | 0  | 0                                     | 0                           |
| Application of capital grants to finance capital expenditure   | 0                        | 0                              | (20)                        | (20)                     | 20                         | 0                      | 0                   | 20                               | 0  | 0                                     | 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>                    |

## 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 2017/18.

|                                    | Balance<br>1 April<br>2016<br>£000 | Transfers<br>Out<br>2016/17<br>£000 | Transfers<br>In<br>2016/17<br>£000 | Balance<br>31 March<br>2017<br>£000 | Transfers<br>Out<br>2017/18<br>£000 | Transfers<br>In<br>2017/18<br>£000 | Balance<br>31 March<br>2018<br>£000 |
|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <b>Capital:</b>                    |                                    |                                     |                                    |                                     |                                     |                                    |                                     |
| Lanes Capital Fund                 | 15                                 | 0                                   | 15                                 | 30                                  | 0                                   | 15                                 | 45                                  |
| GLL Reserve                        | 522                                | 0                                   | 0                                  | 522                                 | (249)                               | 0                                  | 273                                 |
| Asset Investment Reserve           | 48                                 | 0                                   | 0                                  | 48                                  | 0                                   | 0                                  | 48                                  |
| <b>Total Capital Reserves</b>      | <b>585</b>                         | <b>0</b>                            | <b>15</b>                          | <b>600</b>                          | <b>(249)</b>                        | <b>15</b>                          | <b>366</b>                          |
| <b>Revenue</b>                     |                                    |                                     |                                    |                                     |                                     |                                    |                                     |
| EEAC Reserve                       | 43                                 | (43)                                | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   |
| Transformation Reserve             | 348                                | (198)                               | 0                                  | 150                                 | 0                                   | 0                                  | 150                                 |
| Welfare Reform Reserve             | 200                                | 0                                   | 0                                  | 200                                 | 0                                   | 0                                  | 200                                 |
| Building Control Reserve           | 137                                | 0                                   | 50                                 | 187                                 | (37)                                | 0                                  | 150                                 |
| Cremator Replacement Reserve       | 481                                | 0                                   | 275                                | 756                                 | 0                                   | 94                                 | 850                                 |
| Conservation Fund                  | 117                                | (117)                               | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   |
| Car Park Enhancement Reserve       | 113                                | (48)                                | 42                                 | 107                                 | 0                                   | 0                                  | 107                                 |
| Economic Investment Reserve        | 107                                | (101)                               | 0                                  | 6                                   | 0                                   | 0                                  | 6                                   |
| City Centre Reserve                | 42                                 | 0                                   | 0                                  | 42                                  | 0                                   | 0                                  | 42                                  |
| Repairs and Renewals Reserve       | 502                                | (288)                               | 0                                  | 214                                 | (214)                               | 0                                  | 0                                   |
| Leisure Reserve                    | 118                                | (38)                                | 0                                  | 80                                  | (80)                                | 0                                  | 0                                   |
| Flooding Earmarked Reserve         | 500                                | 0                                   | 0                                  | 500                                 | 0                                   | 1,514                              | 2,014                               |
| Revenues & Benefits Reserve        | 0                                  | 0                                   | 338                                | 338                                 | 0                                   | 0                                  | 338                                 |
| BRR Volatility Reserve             | 110                                | 0                                   | 0                                  | 110                                 | (110)                               | 0                                  | 0                                   |
| Prosecutions and Representations   | 0                                  | 0                                   | 21                                 | 21                                  | 0                                   | 20                                 | 41                                  |
| Promoting Carlisle Reserve         | 0                                  | 0                                   | 30                                 | 30                                  | (10)                                | 0                                  | 20                                  |
| Revenue Grants Reserve             | 0                                  | 0                                   | 865                                | 865                                 | (193)                               | 1,248                              | 1,920                               |
| Planning Services Reserve          | 0                                  | 0                                   | 0                                  | 0                                   | 0                                   | 28                                 | 28                                  |
| <b>Total Revenue Reserves</b>      | <b>2,818</b>                       | <b>(833)</b>                        | <b>1,621</b>                       | <b>3,606</b>                        | <b>(644)</b>                        | <b>2,904</b>                       | <b>5,866</b>                        |
| <b>Total Earmarked Reserves</b>    | <b>3,403</b>                       | <b>(833)</b>                        | <b>1,636</b>                       | <b>4,206</b>                        | <b>(893)</b>                        | <b>2,919</b>                       | <b>6,232</b>                        |
| <b>General Reserves</b>            |                                    |                                     |                                    |                                     |                                     |                                    |                                     |
| General Fund Balance               | 3,510                              | (1,663)                             | 1,242                              | 3,089                               | (2,690)                             | 4,374                              | 4,773                               |
| Carry Forward Reserve              | 1,078                              | (124)                               | 151                                | 1,105                               | (178)                               | 0                                  | 927                                 |
| <b>Total General Fund Balances</b> | <b>7,991</b>                       | <b>(2,620)</b>                      | <b>3,029</b>                       | <b>8,400</b>                        | <b>(3,761)</b>                      | <b>7,293</b>                       | <b>11,932</b>                       |
| <b>Deferred Credits</b>            | 20                                 | 0                                   | 0                                  | 20                                  | 0                                   | 0                                  | 20                                  |
| <b>Capital Grant Unapplied</b>     | 191                                | (20)                                | 0                                  | 171                                 | (35)                                | 0                                  | 136                                 |
| <b>Total Usable Reserves</b>       | <b>8,202</b>                       | <b>(2,640)</b>                      | <b>3,029</b>                       | <b>8,591</b>                        | <b>(3,796)</b>                      | <b>7,293</b>                       | <b>12,088</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 usable 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 Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

An explanation of Unusable Reserves is detailed in Note 4.40.

## **Comprehensive Income and Expenditure**

### **4.8 Exceptional Items**

During 2017/18 pressure continued to be placed upon the Council's financial position as a result of the recovery to the severe flooding and storm damage experienced by the City and the wider Cumbrian area in December 2015. The reinstatement work to Council assets has cost millions of pounds to complete. Negotiations have been concluded with the Council's insurers to ensure where possible as much can be reimbursed from insurance settlements. Any expenditure that has not been recoverable from insurers, or other sources, has been met from City Council resources. The Council has set aside £2.014million from its own reserves and the balance of settlements in order to complete the reinstatement work to the remaining assets to be brought back into use, namely, Bitts Park Lodge and Civic Centre.

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.

### **4.9 Other Operating Expenditure**

| 2016/17<br>£000 |   | Note | 2017/18<br>£000 |
|-----------------|---|------|-----------------|
| 557<br>(185)    | Parish Council Precepts<br>(Gains)/Losses on disposal of non-current assets | 4.25 | 583<br>(355)    |
| <b>372</b>      | <b>Total</b>  |      | <b>228</b>      |

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

| 2016/17<br>£000 |  | Note | 2017/18<br>£000 |
|-----------------|--|------|-----------------|
| 1,303           | Interest payable and similar charges   |      | 1,305           |
| 1,346<br>(272)  | Net Interest on the defined benefit liability (pension assets)                                 | 4.43 | 962<br>(224)    |
| (2,025)         | Interest receivable and similar income   |      |                 |
|                 | Income and Expenditure in relation to investment properties and changes in their current value | 4.12 | 2,778           |
| 67              | (Surplus)/Deficit on Trading Undertakings  | 4.16 | 195             |
| <b>419</b>      | <b>Total</b>   |      | <b>5,016</b>    |

## 4.11 Taxation and Non-Specific Grant Income

| 2016/17<br>£000 |   | Note | 2017/18<br>£000 |
|-----------------|---|------|-----------------|
| (6,992)         | Council Tax Income                        |      | (7,249)         |
| (4,510)         | Non-Domestic Rates                        |      | (5,590)         |
| (3,961)         | Non-Ring-fenced Government Grants         | 4.22 | (3,044)         |
| (1,871)         | Recognised Capital Grants & Contributions | 4.22 | (1,793)         |
| <b>(17,334)</b> | <b>Total</b>                              |      | <b>(17,676)</b> |
|                 |   |      |                 |

## 4.12 Investment Properties

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

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| (4,057)         | Rental Income from investment property  | (4,470)         |
| 450             | Direct operating expenses arising from investment property that generated rental income during the period | 456             |
| 2,082           | (Increase) / Decrease in Fair Value of Investment Properties  | 6,561           |
| (500)           | (Gains)/Losses on Disposal of Investment Properties   | 231             |
| <b>(2,025)</b>  | <b>Net (Gain)/Loss</b>  | <b>2,778</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.

| 2016/17  |  |   |   | 2017/18  |  |   |
|--|--|---|---|--|--|---|
| Net Expenditure Chargeable to General Fund<br>£000 | Adjustments between Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |   | Net Expenditure Chargeable to General Fund<br>£000 | Adjustments between Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
| 8,448  | 976  | 9,424   | Community Services  | 9,038  | 982  | 10,020  |
| 1,354  | 209  | 1,563   | Economic Development  | 798  | 437  | 1,235   |
| 3,094  | (2,009)  | 1,085   | Corporate Support & Resources   | 2,826  | (1,116)  | 1,710   |
| 353  | 4,393  | 4,746   | Governance & Regulatory Services  | (748)  | 5,412  | 4,664   |
| (351)  | 1,404  | 1,053   | Corporate Management  | 1,877  | (1,527)  | 350   |
| 226  | (1,937)  | (1,711)   | Exceptional Item - Flood  | (4,007)  | 0  | (4,007)   |
| <b>13,124</b>                                      | <b>3,036</b>   | <b>16,160</b>   | <b>Net Cost of Services</b>   | <b>9,784</b>                                       | <b>4,188</b>   | <b>13,972</b>   |
|  |  | (16,545)  | <b>Other Income &amp; Expenditure</b>   |  |  | (12,432)  |
| <b>13,124</b>                                      | <b>3,036</b>   | <b>(385)</b>  | <b>Surplus or Deficit</b>   | <b>9,784</b>                                       | <b>4,188</b>   | <b>1,540</b>  |
| <b>7,991</b>                                       |  |   | <b>Opening General Fund Balance</b>   | <b>8,400</b>                                       |  |   |
| <b>385</b>   |  |   | <b>Less/Plus Surplus or (Deficit) on General Fund</b>                           | <b>(1,540)</b>                                     |  |   |
| <b>24</b>  |  |   | <b>Adjustments between accounting basis and funding basis under regulations</b> | <b>5,072</b>                                       |  |   |
| <b>8,400</b>                                       |  |   | <b>Closing General Fund Balance at 31 March</b>                                 | <b>11,932</b>                                      |  |   |
|  |  |   |   |  |  |   |

## 4.14 Adjustments between Funding and Accounting Basis

| 2017/18  |   |  |                                    |                           |
|--|---|--|------------------------------------|---------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for Capital Purposes (Note a)<br>£000 | Net change for the Pensions Adjustments (Note b)<br>£000 | Other Differences (Note c)<br>£000 | Total Adjustments<br>£000 |
| Community Services   | 27  | 696  | 259                                | 982                       |
| Economic Development   | 0   | 215  | 222                                | 437                       |
| Corporate Support & Resources  | 0   | 554  | (1,670)                            | (1,116)                   |
| Governance & Regulatory Services   | 1,200   | 460  | 3,752                              | 5,412                     |
| Corporate Management   | 2,072   | (1,126)  | (2,473)                            | (1,527)                   |
| Exceptional Item (Flood)   | 0   | 0  | 0                                  | 0                         |
| <b>Net Cost of Services</b>  | <b>3,299</b>                                      | <b>799</b>   | <b>90</b>                          | <b>4,188</b>              |
|  |   |  |                                    |                           |
| <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b> | <b>3,299</b>                                      | <b>799</b>   | <b>90</b>                          | <b>4,188</b>              |
|  |   |  |                                    |                           |

| 2016/17  |   |  |                                    |                           |
|--|---|--|------------------------------------|---------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for Capital Purposes (Note a)<br>£000 | Net change for the Pensions Adjustments (Note b)<br>£000 | Other Differences (Note c)<br>£000 | Total Adjustments<br>£000 |
| 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>              |
|  |   |  |                                    |                           |

**(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 Expenditure and Income Analysed by Nature

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

| 2016/17<br>Restated<br>£000 |  | Note | 2017/18<br>£000 |
|-----------------------------|--|------|-----------------|
|                             | <b>Expenditure</b>   |      |                 |
| 16,628                      | Employee Benefit expenses  |      | 16,898          |
| 45,881                      | Other Service expenses   |      | 44,629          |
| 3,502                       | Depreciation, amortisation and impairment                            |      | 3,300           |
| 1,303                       | Interest payments  |      | 1,305           |
| 557                         | Precepts and levies  |      | 583             |
| 277                         | Gains on the disposal of assets                                      |      | 879             |
| 2,082                       | Change in Fair Value of Investment Property                          |      | 6,561           |
| <b>70,230</b>               | <b>Total Expenditure</b>   |      | <b>74,155</b>   |
|                             | <b>Income</b>  |      |                 |
| (13,922)                    | Fee, charge and other service income                                 |      | (16,322)        |
| (272)                       | Interest and Investment Income                                       |      | (224)           |
| (7,155)                     | Income from Council Tax, Non-Domestic Rates                          |      | (7,189)         |
| (48,327)                    | Government Grants and Contributions                                  |      | (47,915)        |
| (939)                       | Gain or Loss in Disposal of Non-Current Assets & Investment Property |      | (965)           |
| <b>(70,615)</b>             | <b>Total Income</b>  |      | <b>(72,615)</b> |
|                             |  |      |                 |
| <b>(385)</b>                | <b>Surplus or Deficit on the Provision of Services</b>               |      | <b>1,540</b>    |
|                             |  |      |                 |

## 4.16 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)/<br>Deficit<br>2016/17<br>£000 | Activity                          | (Surplus) /<br>Deficit<br>2017/18<br>£000 |
|--|-----------------------------------|---|
| (42)                                     | Building Cleaning & Maintenance   | 68  |
| 70                                       | Transport                         | 83  |
| 1  | Parking Patrols & Cash Collection | 5   |
| 0  | Grounds                           | 0   |
| 38                                       | Other                             | 39  |
| <b>67</b>                                | <b>Total Internal Trading</b>     | <b>195</b>                                |

## 4.17 Agency Income and Expenditure

In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Council's share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement (£7.249million) 2016/17 (£6.992million).

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 (£5.590million); 2016/17 (£4.510million) 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.

## 4.18 Cumbria Business Rates Pool

During 2017/18, 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:

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Retained Levy</b>                         |                 |
| 671             | Allerdale Borough Council                    | 929             |
| 56              | Barrow Borough Council                       | 364             |
| 865             | Carlisle City Council                        | 1,243           |
| 236             | Eden District Council                        | 441             |
| 572             | South Lakeland District Council              | 1,255           |
| <b>2,400</b>    | <b>Total Retained Levy</b>                   | <b>4,232</b>    |
|                 | <b>Pooling Distribution of Retained Levy</b> |                 |
| 299             | Allerdale Borough Council                    | 429             |
| 51              | Barrow Borough Council                       | 196             |
| 372             | Carlisle City Council                        | 548             |
| 109             | Eden District Council                        | 203             |
| 247             | South Lakeland District Council              | 535             |
| 848             | Cumbria County Council                       | 1,481           |
| 474             | Volatility Reserve                           | 840             |
| <b>2,400</b>    | <b>Total</b>                                 | <b>4,232</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 (£1,242,973).

## 4.19 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 2017/18 are as follows:

| 2016/17<br>£000 |                                  | 2017/18<br>£000 |
|-----------------|----------------------------------|-----------------|
|                 | Type of Allowance                |                 |
| 250             | Basic Allowance                  | 253             |
| 88              | Special Responsibility Allowance | 89              |
| 22              | Conference/Other Allowances      | 9               |
| <b>360</b>      | <b>Total</b>                     | <b>351</b>      |

## 4.20 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 |                          |                  |           |                          |                  |
|---|---------------------|--------------------------|------------------|-----------|--------------------------|------------------|
|   | 2017/18             | Given Notice During Year | Left During Year | 2016/17   | Given Notice During Year | Left During Year |
| Between £50,000 and £54,999                                   | 4                   | 0                        | 0                | 6         | 3                        | 4                |
| Between £55,000 and £59,999                                   | 0                   | 0                        | 0                | 3         | 0                        | 2                |
| Between £60,000 and £64,999                                   | 1                   | 0                        | 0                | 0         | 0                        | 0                |
| Between £65,000 and £69,999                                   | 1                   | 1                        | 1                | 1         | 1                        | 1                |
| Between £70,000 and £74,999                                   | 0                   | 0                        | 0                | 2         | 0                        | 0                |
| Between £75,000 and £79,999                                   | 2                   | 0                        | 0                | 0         | 0                        | 0                |
| Between £80,000 and £84,999                                   | 0                   | 0                        | 0                | 1         | 1                        | 1                |
| Between £90,000 and £94,999                                   | 1                   | 0                        | 0                | 1         | 0                        | 0                |
| Between £115,000 and £119,999                                 | 0                   | 0                        | 0                | 1         | 0                        | 0                |
| Between £120,000 and £124,999                                 | 1                   | 0                        | 0                | 0         | 0                        | 0                |
| <b>Total Number of Employees (Including Senior Employees)</b> | <b>10</b>           | <b>1</b>                 | <b>1</b>         | <b>15</b> | <b>5</b>                 | <b>8</b>         |

| Post   | Note | Salaries, fees & allowances | Benefits in Kind (e.g car allowance) | Total Remuneration excluding pension contributions | Pension   | Total      |
|--|------|-----------------------------|--------------------------------------|--|-----------|------------|
| 2017/18  |      | £000                        | £000                                 | £000   | £000      | £000       |
| Chief Executive  |      | 107                         | 14                                   | 121  | 17        | 138        |
| Deputy Chief Executive                                 |      | 85                          | 8                                    | 93   | 13        | 106        |
| Corporate Director of Governance & Regulatory Services |      | 69                          | 7                                    | 76   | 11        | 87         |
| Corporate Director of Economic Development             |      | 69                          | 6                                    | 75   | 11        | 86         |
| Chief Finance Officer                                  |      | 60                          | 0                                    | 60   | 9         | 69         |
| <b>Total</b>   |      | <b>390</b>                  | <b>35</b>                            | <b>425</b>   | <b>61</b> | <b>486</b> |
|  |      |                             |                                      |  |           |            |

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

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 |              |
|---------------------|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|--------------|
|                     | 2016/17                           | 2017/18  | 2016/17                           | 2017/18  | 2016/17                                    | 2017/18  | 2016/17 £000                             | 2017/18 £000 |
| £0 - £20,000        | 0                                 | 0        | 5                                 | 0        | 5  | 0        | 61                                       | 0            |
| £20,001 - £40,000   | 1                                 | 0        | 1                                 | 1        | 2  | 1        | 60                                       | 35           |
| £40,001 - £60,000   | 0                                 | 0        | 1                                 | 0        | 1  | 0        | 42                                       | 0            |
| £60,001 - £80,000   | 0                                 | 0        | 2                                 | 0        | 2  | 0        | 128                                      | 0            |
| £80,001 - £100,000  | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0            |
| £100,001 - £120,000 | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0            |
| £140,001 - £160,000 | 0                                 | 0        | 1                                 | 0        | 1  | 0        | 148                                      | 0            |
| £160,001 - £180,000 | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0            |
| <b>Total</b>        | <b>1</b>                          | <b>0</b> | <b>10</b>                         | <b>1</b> | <b>11</b>                                  | <b>1</b> | <b>439</b>                               | <b>35</b>    |
|                     |                                   |          |                                   |          |  |          |  |              |

## 4.21 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.

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 53              | Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor | 53              |
| 14              | Fees payable to the Grant Thornton for the certification of grant claims and returns                           | 17              |
| 0               | Fees payable to the Grant Thornton for the certification of grant claims and returns 2015/16                   | 6               |
| <b>67</b>       | <b>Total</b>   | <b>76</b>       |
|                 |  |                 |

The Council also received a rebate on audit fees directly from Public Sector Audit Appointments of £7,900 in 2017/18.

## 4.22 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Credited to Taxation and Non Specific Grant Income</b> |                 |
|                 | <b>Non Ringfenced Government Grants</b>                   |                 |
| 1,590           | Revenue Support Grant                                     | 886             |
| 2,188           | New Homes Bonus   | 2,012           |
| 183             | Rural Services Delivery Grant                             | 146             |
| <b>3,961</b>    | <b>Total</b>  | <b>3,044</b>    |
|                 | <b>Recognised Capital Grants &amp; Contributions</b>      |                 |
| 1,158           | Industrial Estates Grant & Contributions                  | 180             |
| 223             | Play Areas & Open Spaces Contribution                     | 67              |
| 12              | Public Realm (S106 & Other)                               | 25              |
| 12              | Cycleway (S106 & Other)                                   | 29              |
| 422             | Disabled Facilities Grant                                 | 518             |
| 0               | Cycle Track   | 771             |
| 0               | Crindledyke Cycleway (S106)                               | 140             |
| 0               | Cracker Packer  | 63              |
| 44              | Vehicles & Equipment contributions                        | 0               |
| <b>1,871</b>    | <b>Total</b>  | <b>1,793</b>    |
|                 | <b>Credited to Services</b>                               |                 |
| 242             | Economic Regeneration                                     | 596             |
| 568             | Supporting Vulnerable People                              | 704             |
| 26,986          | Housing Benefit Subsidy                                   | 26,292          |
| 390             | Benefits  | 71              |
| 2,398           | Flood Related   | 2,923           |
| 1,146           | Other Grants  | 893             |
| 1,196           | Revenue Expenditure funded by Capital                     | 1,732           |
| <b>32,926</b>   | <b>Total</b>  | <b>33,211</b>   |

## 4.23 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 2018 are shown in Note

4.22. As at 31 March 2018, the balance of Creditors owing to Central Government departments was £0.292million. The balance of debtors owed from Central Government departments was £2.916million.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2017/18 is shown in Note 4.19. 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 2017/18.

Seventeen declared an interest in Community Centres around the Carlisle area. The Council paid £207,256 to Community Centres during 2017/18.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 11              | Belah Community Centre                  | 11              |
| 18              | Botcherby Community Centre              | 17              |
| 30              | Brampton Community Centre               | 24              |
| 21              | Currock Community Centre                | 22              |
| 14              | Denton Holme Community Centre           | 14              |
| 9               | Greystone Community Centre              | 9               |
| 25              | Harraby Community Centre                | 26              |
| 38              | Longtown Community Centre               | 31              |
| 40              | Morton Community Centre                 | 33              |
| 12              | Petteril Bank Community Centre          | 12              |
| 11              | Yewdale Community Centre                | 8               |
| <b>229</b>      | <b>Grants paid to Community Centres</b> | <b>207</b>      |

### Officers

During 2017/18 15 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 2017/18. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2017/18.

### 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 4.24 to the Financial Statements. The Council owed £53,146.53 to the Pension fund at 31 March for transactions in 2017/18, and this is shown as a creditor in the balance sheet.

## **4.24 Pension Costs**

In 2017/18, the City Council paid an employer's contribution of £1,509,354 into the Cumbria County Council Pension Scheme, representing 15.6% plus £915,000 deficit funding (2016/17: £1,403,433 representing 13.6% and £1,075,700 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2017 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2017. 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 2017/18 the value of these benefits amounted to £85,000 representing 0.8% of pensionable pay (2016/17

£218,000 and 3.9% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 2,237           | Current Service Cost                             | 3,376           |
| 56              | Administration Expenses                          | 59              |
| 886             | Curtailment Cost                                 | 118             |
| (4,421)         | Interest on Plan Assets                          | (3,629)         |
| 5,767           | Pension Interest Costs                           | 4,591           |
| <b>4,525</b>    | <b>Total</b>                                     | <b>4,515</b>    |
| (2,926)         | Contributions paid to Pension Scheme             | (2,754)         |
| <b>1,599</b>    | <b>Contributions (to) / from Pension Reserve</b> | <b>1,761</b>    |
|                 |  |                 |

#### 4.25 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 2017/18 is as follows: -

| 2016/17<br>£000 |                              | 2017/18<br>£000 |
|-----------------|------------------------------|-----------------|
| (195)           | Preserved Right To Buy Sales | (292)           |
| 10              | Other                        | (63)            |
| <b>(185)</b>    | <b>Total</b>                 | <b>(355)</b>    |
|                 |                              |                 |

#### 4.26 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 2017/18 is as follows: -

| 2016/17                  |                            |                                   |                            | 2017/18                  |                            |                                   |
|--------------------------|----------------------------|-----------------------------------|----------------------------|--------------------------|----------------------------|-----------------------------------|
| Expend-<br>iture<br>£000 | Grants<br>Utilised<br>£000 | Amounts<br>Written<br>Off<br>£000 |                            | Expend-<br>iture<br>£000 | Grants<br>Utilised<br>£000 | Amounts<br>Written<br>Off<br>£000 |
| 541                      | (541)                      | 0                                 | Disabled Facilities Grants | 1,207                    | (1,207)                    | 0                                 |
| 500                      | (500)                      | 0                                 | Harraby Community Campus   | 0                        | 0                          | 0                                 |
| 0                        | 0                          | 0                                 | Castleway Crossing         | 332                      | (327)                      | (5)                               |
| 272                      | (155)                      | (117)                             | Other                      | 198                      | (198)                      | 0                                 |
| <b>1,313</b>             | <b>(1,196)</b>             | <b>(117)</b>                      | <b>Total</b>               | <b>1,737</b>             | <b>(1,732)</b>             | <b>(5)</b>                        |
|                          |                            |                                   |                            |                          |                            |                                   |



## 4.27 Revaluations Charged to CIES

During 2017/18 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 £7.788million (2016/17: £3.741million). This was split between investment properties £6.561million (downward revaluation) (2016/17: £2.082million downward revaluation) and other items of Property, Plant and Equipment and surplus assets £1.227m (downward revaluation) (2016/17: £1.659 million 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.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 742             | Community Services                            | 27              |
| (5)             | Economic Development                          | 0               |
| 922             | Governance and Regulatory Services            | 1,200           |
| <b>1,659</b>    | <b>Total Included in Net Cost of Services</b> | <b>1,227</b>    |
|                 |   |                 |

**Balance Sheet****4.28 Property Plant and Equipment**

| 2017/18  | OPERATIONAL                 |                                   |                                      |                             |                             | NON OPERATIONAL                |                           | Total<br>£000 |
|--|-----------------------------|-----------------------------------|--------------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|---------------|
|  | Council<br>Dwelling<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles<br>Equip &<br>Plant<br>£000 | Infra-<br>structure<br>£000 | Community<br>Assets<br>£000 | Assets<br>under Constr<br>£000 | Surplus<br>assets<br>£000 |               |
| <b>Cost or Valuation</b>   |                             |                                   |                                      |                             |                             |                                |                           |               |
| Valuation as at 1 April 2017   | 200                         | 30,114                            | 15,098                               | 4,414                       | 3,971                       | 12                             | 1,578                     | 55,387        |
| Additions/Enhancements   | 0                           | 3,005                             | 2,078                                | 1,456                       | 50                          | 13                             | 277                       | 6,879         |
| Disposals  | 0                           | (316)                             | (969)                                | 0                           | 0                           | 0                              | (10)                      | (1,295)       |
| Reclassifications  | 0                           | (932)                             | 0                                    | 0                           | 0                           | 0                              | (175)                     | (1,107)       |
| Revaluations Taken to Revaluation Reserve                                | 0                           | (931)                             | 0                                    | 0                           | 0                           | 0                              | (384)                     | (1,315)       |
| Revaluations Charged to Surplus/Deficit on Provision of Services 2017/18 | 0                           | (1,336)                           | 0                                    | 0                           | 0                           | 0                              | (133)                     | (1,469)       |
| Valuation as at 31 March 2018  | 200                         | 29,604                            | 16,207                               | 5,870                       | 4,021                       | 25                             | 1,153                     | 57,080        |
| <b>Depreciation</b>  |                             |                                   |                                      |                             |                             |                                |                           |               |
| Accumulated Dep'n at 1 April 2017  | 0                           | (13)                              | (9,212)                              | (716)                       | 0                           | 0                              | 0                         | (9,941)       |
| Depreciation Charge to CIES 2017/18                                      | (5)                         | (941)                             | (1,030)                              | (72)                        | 0                           | 0                              | 0                         | (2,048)       |
| Depreciation on Disposals  | 0                           | 17                                | 848                                  | 0                           | 0                           | 0                              | 0                         | 865           |
| Depreciation w/out to Revaluation Reserve                                | 3                           | 644                               | 0                                    | 0                           | 0                           | 0                              | 0                         | 647           |
| Depreciation w/out to Surplus/Deficit on Provision of Services           | 0                           | 275                               | 0                                    | 0                           | 0                           | 0                              | 0                         | 275           |
| Accumulated Dep'n at 31 March 2018                                       | (2)                         | (18)                              | (9,394)                              | (788)                       | 0                           | 0                              | 0                         | (10,202)      |
| <b>Impairments</b>   |                             |                                   |                                      |                             |                             |                                |                           |               |
| Accumulated Impairment 1 April 2017                                      | 0                           | 0                                 | (136)                                | 0                           | 0                           | 0                              | 0                         | (136)         |
| Accumulated Impairments at 31 March 2018                                 | 0                           | 0                                 | (136)                                | 0                           | 0                           | 0                              | 0                         | (136)         |
| <b>Net Book Value at 31 March 2018</b>                                   | <b>198</b>                  | <b>29,586</b>                     | <b>6,677</b>                         | <b>5,082</b>                | <b>4,021</b>                | <b>25</b>                      | <b>1,153</b>              | <b>46,742</b> |
| <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>Nature of Asset holding</b>   |                             |                                   |                                      |                             |                             |                                |                           |               |
| Owned  | 198                         | 29,586                            | 6,677                                | 5,082                       | 4,021                       | 25                             | 1,153                     | 46,742        |
|  | <b>198</b>                  | <b>29,586</b>                     | <b>6,677</b>                         | <b>5,082</b>                | <b>4,021</b>                | <b>25</b>                      | <b>1,153</b>              | <b>46,742</b> |
| <b>Historic Cost Valuation</b>   |                             |                                   |                                      |                             |                             |                                |                           |               |
| Net Book Value 31 March 2018   | 148                         | 21,434                            | 6,677                                | 5,082                       | 4,021                       | 25                             | 1,135                     | 38,522        |
| Net Book Value 31 March 2017   | 153                         | 21,143                            | 5,750                                | 3,698                       | 3,971                       | 12                             | 1,176                     | 35,903        |

| 2016/17  | OPERATIONAL                 |                                   |                                      |                             |                             | NON OPERATIONAL                |                           | Total<br>£000 |
|--|-----------------------------|-----------------------------------|--------------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|---------------|
|  | Council<br>Dwelling<br>£000 | Other Land<br>& Buildings<br>£000 | Vehicles<br>Equip &<br>Plant<br>£000 | Infra-<br>structure<br>£000 | Community<br>Assets<br>£000 | Assets<br>under Constr<br>£000 | Surplus<br>assets<br>£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        |

**(a) Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

| Asset Category                         | Rate          | Basis         |
|--|---------------|---------------|
| Dwellings & Other Buildings            | 5 – 50 Years  | Straight Line |
| Infrastructure Assets                  | 40 – 80 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 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years; budgeted to cost £515,000. Similar commitments at 31 March 2017 were £2,268,000. The major commitments are:

| 2016/17<br>£000 |                                     | 2017/18<br>£000 |
|-----------------|-------------------------------------|-----------------|
| 220             | Improvement Grant Commitments       | 321             |
| 0               | Car Park Resurfacing                | 164             |
| 150             | Durranhill Industrial Estate        | 0               |
| 636             | Cycle Track                         | 24              |
| 713             | Reinstatement of Flooded Properties | 0               |
| 549             | Other Capital Commitments           | 6               |
| <b>2,268</b>    |                                     | <b>515</b>      |
|                 |                                     |                 |

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

In 2017/18, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

**4.29 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 2017/18 were carried out by B Vernon (Senior Estates Surveyor) RICS and C Smith (Carigiet Cowen) BSc MRICS as at 31 March 2018. 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<br>2017 |                            | 31 March<br>2018 |
|------------------|----------------------------|------------------|
| 1                | Civic Centre               | 1                |
| 11               | Depots and Workshops       | 11               |
| 13               | 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                |

### 4.30 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 and 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 2017/18 were carried out by B Vernon (Senior Estates Surveyor) RICS and C Smith (Carigiet Cowen) BSc MRICS. 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.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 92,877          | Opening Balance at 1 April of Investment Property         | 92,783          |
| 2,193           | Additions to existing assets                              | 948             |
| (205)           | Disposals   | (411)           |
| 0               | Reclassifications   | 725             |
| (2,082)         | Net gains or losses from fair value adjustments           | (6,561)         |
| <b>92,783</b>   | <b>Closing Balance at 31 March of Investment Property</b> | <b>87,484</b>   |

#### 4.29a Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

| 2017/18 Recurring Fair Value Measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other Significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair Value as at 31 March 2018<br>£000 |
|--|--|---|---|--|
| Development Land                                 | 0  | 459   | 13,323  | 13,782                                 |
| Retail   | 0  | 31,435  | 4,240   | 35,675                                 |
| Industrial Sites                                 | 0  | 3,180   | 32,224  | 35,404                                 |
| Residential                                      | 0  | 93  | 400   | 493                                    |
| Education  | 0  | 445   | 325   | 770                                    |
| Office Units                                     | 0  | 0   | 1,160   | 1,160                                  |
| Airport  | 0  | 0   | 200   | 200                                    |
| <b>Total</b>                                     | <b>0</b>   | <b>35,612</b>   | <b>51,872</b>                                     | <b>87,484</b>                          |

| 2016/17 Recurring Fair Value Measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other Significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair Value as at 31 March 2017<br>£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>                          |
|  |  |   |   |  |

**4.29b Transfers between Levels of the Fair Value hierarchy**

There were no transfers between any Levels during the year.

**4.29c 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.

**4.29d 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.

**4.29e Valuation Techniques**

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

#### **4.29f Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)**

| 2016/17<br>£000 | Assets categorised within Level 3   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 50,912          | Opening Balance   | 51,998          |
| 0               | Transfers into Level 3  | 725             |
| 150             | Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | (1,440)         |
| 936             | Additions/enhancements  | 637             |
| 0               | Disposals   | (48)            |
| <b>51,998</b>   | <b>Closing Balance</b>  | <b>51,872</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.

#### **4.29g 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<br>31/03/18<br>£000 | Valuation<br>technique<br>used to<br>measure fair<br>value | Unobservable<br>inputs   | Range<br>(weighted<br>average used) | Sensitivity   |
|------------------|---------------------------------|--|--------------------------|-------------------------------------|---|
| Retail           | 4,240                           | Investment -<br>Term &<br>Reversion                        | All Risks Yield<br>(ARY) | 4% - 11.0%<br>(4.5% - 11.0%)        | Significant<br>changes in ARY<br>as a result of<br>vacancy rates<br>will result in<br>significantly<br>higher or lower<br>fair values |
| Industrial Sites | 32,224                          | Investment -<br>Term &<br>Reversion                        | All Risks Yield<br>(ARY) | 5.0% - 8.0%<br>(6.0% - 8.0%)        | Significant<br>changes in ARY<br>adopted for<br>individual units<br>will result in<br>significantly<br>higher or lower<br>fair value  |
| Education        | 325                             | Investment -<br>Term &<br>Reversion                        | All Risks Yield<br>(ARY) | 8.0% - 11.0%<br>(8.5% - 11.0%)      | Significant<br>changes in<br>ARY will result in<br>a significantly<br>higher or lower<br>fair value                                   |
| Office           | 1,160                           | Investment -<br>Term &<br>Reversion                        | All Risks Yield<br>(ARY) | 10.0% - 11.0%<br>(11.0%)            | Significant<br>changes in<br>ARY will result in<br>a significantly<br>higher or lower<br>fair value                                   |

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

|                  | Value as at<br>31/03/18<br>£000 | Valuation<br>technique<br>used to<br>measure fair<br>value | Valuers comments and sensitivity  |
|------------------|---------------------------------|--|---|
| Development Land | 13,323                          | 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      | 400                             | Market   | The Fair Value measurement of these assets has been significantly affected by the recent floods and lack of direct market evidence.   |
|                  |                                 |  |   |

#### **4.29h 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.

### **4.31 Surplus Properties**

The fair value of Surplus property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2017/18 were carried out by B Vernon (Senior Estates Surveyor) RICS and C Smith (Carigiet Cowen) BSc MRICS. 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.

#### **4.30a Fair Value Hierarchy**

Details of the Council's Surplus properties and information about the fair value hierarchy as at 31 March 2018 are as follows:



| 2017/18 Recurring Fair Value Measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other Significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair Value as at 31 March 2018<br>£000 |
|--|--|---|---|--|
| Development Land                                 | 0  | 200   | 500   | 700                                    |
| Retail   | 0  | 0   | 355   | 355                                    |
| Residential                                      | 0  | 0   | 98  | 98                                     |
| <b>Total</b>                                     | <b>0</b>   | <b>200</b>  | <b>953</b>  | <b>1,153</b>                           |
|  |  |   |   |  |

| 2016/17 Recurring Fair Value Measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other Significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair Value as at 31 March 2017<br>£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>                           |
|  |  |   |   |  |

**4.30b Transfers between Levels of the Fair Value hierarchy**

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

**4.30c 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.

**4.30d 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.

#### 4.30e Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

| 2016/17<br>£000 | Assets categorised within Level 3   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 1,464           | Opening Balance   | 1,378           |
| 0               | Transfers out of Level 3  | (175)           |
| 509             | Additions/Enhancements  | 277             |
| (579)           | Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | (517)           |
| (16)            | Disposals   | (10)            |
| <b>1,378</b>    | <b>Closing Balance</b>  | <b>953</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.

### 4.32 Heritage Assets

#### Reconciliation of the Carrying Value of Heritage Assets held by the Authority

|                                      | Statues,<br>Monuments &<br>historic Land-<br>marks<br>£000 | Pictures,<br>Prints &<br>Sculpture<br>£000 | China,<br>Glass &<br>Porcelain<br>£000 | Archaeol-<br>ogy<br>£000 | Natural<br>History<br>£000 | Other<br>Museum<br>Collection<br>£000 | Civic<br>Regalia<br>£000 | Total<br>£000 |
|--------------------------------------|--|--|--|--------------------------|----------------------------|---------------------------------------|--------------------------|---------------|
| <b>Cost or Valuation</b>             |  |  |  |                          |                            |                                       |                          |               |
| Valuation as at 1 April 2016         | 817  | 14,000                                     | 950                                    | 1,300                    | 500                        | 1,550                                 | 385                      | <b>19,502</b> |
| Additions                            | 26   | 0  | 0                                      | 0                        | 0                          | 0                                     | 0                        | <b>26</b>     |
| Revaluations                         | 0  | 0  | 0                                      | 0                        | 0                          | 0                                     | 0                        | <b>0</b>      |
| <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> |
| <b>Cost or Valuation</b>             |  |  |  |                          |                            |                                       |                          |               |
| Valuation as at 1 April 2017         | 843  | 14,000                                     | 950                                    | 1,300                    | 500                        | 1,550                                 | 385                      | <b>19,528</b> |
| Additions                            | 7  | 0  | 0                                      | 0                        | 0                          | 0                                     | 0                        | <b>7</b>      |
| Revaluations for additions           | (33)   | 0  | 0                                      | 0                        | 0                          | 0                                     | 0                        | <b>(33)</b>   |
| <b>Valuation as at 31 March 2018</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> |

#### a) Statues, Monuments and Historic Landmarks

The Council's collection of statues, monuments and historic landmarks are carried at Historic cost where known. This is primarily assets that have been previously been classified as Community assets and includes, Dixons Chimney, West Walls, Castle Banks and the Public Realm works for the Roman Frontier.

Other statues and monuments are not recorded on the balance sheet as valuation is not considered to be possible. These include the following assets:

- Market Cross, Greenmarket
- Queen Victoria Statue, Bitts Park
- James Creighton Statue, Hardwicke Circus,
- James Steel Statue, English Street
- Earl of Lowther Statue, The Crescent
- Cenotaph, Rickerby Park

- War Memorial, Greenmarket
- War Memorial, Richardson St Cemetery
- War Memorial, Botcherby Community Centre
- War Memorial, Stanwix Cemetery
- Hyssop Holme Well, Etterby

**b) Pictures, Prints and Sculptures**

The Council's collection of pictures, prints and sculptures is reported in the Balance Sheet at insurance valuation. The schedule covers some 4,800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £600,000 and this is a painting from 1868 titled Risen at Dawn; Gretchen Discovering Faust's Jewels, by Dante Gabriel Charles Rossetti. There are a further 4 items with an individual valuation of £250,000 each and a further 10 items valued over £100,000 each.

**c) China, Glass and Porcelain**

The Council's collection of china, glass and porcelain is reported in the Balance sheet at insurance valuation. The schedule covers some 800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There are no significant individual items, the largest single valuation being £15,000 for a figurine.

**d) Archaeology**

The Council's collection of archaeology is reported in the Balance sheet at insurance valuation. The schedule covers some 20,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

**e) Natural History**

The Council's collection of natural history is reported in the Balance sheet at insurance valuation. The schedule covers some 816,500 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values.

**f) Other Museum collection**

The Council's other museum collections include items of social history, silver, coins and medals, fire-arms, musical instruments and costumes and clothing and is reported in the Balance sheet at insurance valuation. The schedule covers c.22,000 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. 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

### 4.33 Heritage Assets: Further information on the Museum's Collections

The collections fall into four main areas: Archaeology, Social History, Natural Sciences and Fine and Decorative Arts. Human history collections are centred on the **Social History** of Carlisle District, and the **Archaeology** of North Cumbria; **Natural Sciences** encompasses the flora, fauna and geology of Cumbria; and **Fine and Decorative Arts** includes British fine and decorative art, with particular reference to North Cumbria.

#### Fine and Decorative Art

##### a) Scope of the Collections

Wide ranging fine art collection consisting of 4,800 paintings, watercolours, drawings, prints, photographs, sketch books and sculpture by mainly British artists dating from about 1650 to the present day. This collection is mostly of regional significance but also includes works of national importance. Notable elements include:

##### **Purchase Scheme 1933-75** (200 works)

Collection of 20<sup>th</sup> century British art including works of national importance. Key artists represented include: Stanley Spencer, William Rothenstein, Wyndham Lewis, Esmond Lowinsky, Vanessa Bell, Lucien Pissarro, Charles Ginner, L S Lowry, John Nash, Eric Ravilious, Carel Weight, Peter Blake and Roger de Grey.

##### **Emily and Gordon Bottomley Bequest 1949** (600 works)

Collection of 19<sup>th</sup> and 20<sup>th</sup> century British art including works of national importance. Key artists represented include Pre-Raphaelites: Dante Gabriel Rossetti, Elizabeth Siddal, William Morris, Edward Burne-Jones, Ford Madox Brown and Arthur Hughes. Other key artists represented include Samuel Palmer, Charles Ricketts and Paul Nash.

##### **Carel Weight Bequest 1999** (91 works)

Important collection of late 19<sup>th</sup> and 20<sup>th</sup> century mainly British art. Key artists represented include Lucien Pissarro, Stanley Spencer, L S Lowry, Thomas Barclay Hennell and Carel Weight.

##### **Pre-Raphaelite Collection** (48 works)

Nationally important collection of works by the Pre-Raphaelites acquired from the Howard family, William Rothenstein, the Purchase Scheme and Gordon Bottomley. Key artists listed above.

##### **Local Art and Artists Collection** (1,000 works)

Important collection of works by local and visiting artists many of which relate to northern Cumbria. Key artists represented include Sam Bough, William James Blacklock, Winifred Nicholson, Sheila Fell, Julian Cooper, Donald Wilkinson, Jem Southam and Keith Tyson.

##### **Decorative Art** (1,500 items)

Wide ranging collection mostly consisting of ceramics including the Williamson Bequest (1940) of 800 pieces of 18<sup>th</sup> and 19<sup>th</sup> century English porcelain, all major factories represented. The bequest also includes a 17<sup>th</sup> century table clock by Joseph Knibb of London. Textiles include a good collection of quilts (40). Items associated with the Arts and Crafts Movement include costume, textiles, furniture, ceramics and metalwork. A small collection of musical instruments includes strings by the Forster family and a decorated violin by Andrea Amati (1564).

#### Natural Sciences

##### a) Scope of the collections

Regionally significant collections of zoological, botanical and geological material, totalling some quarter of a million specimens. These collections are particularly strong in material of Cumbrian provenance and provide a unique resource relating to the landscape and biodiversity of the region.

**Zoology** (c. 210,000 items)

Significant collection of British birds and mammals (mounts and skins) and birds' eggs; some vertebrate skeletal material; extensive and significant collections of British insects; British and foreign Mollusca.

**Botany** (c. 26,000 items)

Lakeland and British herbaria, including mosses and lichens.

**Fungi** (c. 1,500 items)

Developing collection of Cumbrian fungi with special focus on montane and grassland species.

**Geology** (c.9,000 items)

Substantial holdings of fossil, rock and mineral material. Includes a major Cumbrian mineral collection and an important 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.

## 4.34 Financial Instruments

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

| 2016/17           |                 |                       | 2017/18           |                 |
|-------------------|-----------------|-----------------------|-------------------|-----------------|
| Long Term<br>£000 | Current<br>£000 |                       | Long Term<br>£000 | Current<br>£000 |
| 15,000            | 482             | Borrowing             | 15,000            | 482             |
| 1,213             | 2,472           | Operational Creditors | 905               | 2,144           |
| <b>16,213</b>     | <b>2,954</b>    | <b>Total</b>          | <b>15,905</b>     | <b>2,626</b>    |
|                   |                 |                       |                   |                 |

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

| 2016/17           |                 |                                   | 2017/18           |                 |
|-------------------|-----------------|-----------------------------------|-------------------|-----------------|
| Long Term<br>£000 | Current<br>£000 |                                   | Long Term<br>£000 | Current<br>£000 |
| 0                 | 10,513          | Investments                       | 0                 | 7,508           |
| 0                 | 4,847           | Operational Debtors               | 0                 | 5,263           |
| 4                 | 0               | Car Loans                         | 1                 | 0               |
| 0                 | 2,690           | Cash at Bank and Cash equivalents | 0                 | 789             |
| 155               | 0               | Transferred Debt                  | 144               | 0               |
| <b>159</b>        | <b>18,050</b>   | <b>Total</b>                      | <b>145</b>        | <b>13,560</b>   |
|                   |                 |                                   |                   |                 |

### (ii) Available for Sale held at Fair Value

| 2016/17           |                 |              | 2017/18           |                 |
|-------------------|-----------------|--------------|-------------------|-----------------|
| Long Term<br>£000 | Current<br>£000 |              | Long Term<br>£000 | Current<br>£000 |
| 3,230             | 0               | Investments  | 3,383             | 0               |
| <b>3,230</b>      | <b>0</b>        | <b>Total</b> | <b>3,383</b>      | <b>0</b>        |
|                   |                 |              |                   |                 |

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

| 2016/17         |                   |                                   | 2017/18         |                   |
|-----------------|-------------------|-----------------------------------|-----------------|-------------------|
| Debtors<br>£000 | Creditors<br>£000 |                                   | Debtors<br>£000 | Creditors<br>£000 |
| 4,847           | 2,472             | Value as per Note (a) & (b) above | 5,263           | 2,144             |
| 4               | 0                 | Car Loans                         | 1               | 0                 |
| 1,794           | 5,233             | Non-Contractual Items             | 3,338           | 2,540             |
| <b>6,645</b>    | <b>7,705</b>      | <b>Total per Balance Sheet</b>    | <b>8,602</b>    | <b>4,684</b>      |
|                 |                   |                                   |                 |                   |

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

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2017/18 relating to financial instruments are made up as follows:

| 2017/18                                     | Financial Liabilities<br>(measured at Amortised Cost)<br>£000 | Financial Assets (Loans & Receivables)<br>£000 | Financial Assets<br>(Available for Sale)<br>£000 | Total<br>£000 |
|---|---|--|--|---------------|
| Interest Paid                               | 1,305   | 0  | 0  | 1,305         |
| Impairment Losses                           | 0   | 133  | 0  | 133           |
| <b>Interest Payable and Similar Charges</b> | <b>1,305</b>  | <b>133</b>                                     | <b>0</b>   | <b>1,438</b>  |
| Interest Received                           | 0   | (71)   | (153)  | (224)         |
| <b>Interest and Investment Income</b>       | <b>0</b>  | <b>(71)</b>                                    | <b>(153)</b>                                     | <b>(224)</b>  |
| <b>Net (Gain)/Loss for year</b>             | <b>1,305</b>  | <b>62</b>                                      | <b>(153)</b>                                     | <b>1,214</b>  |
|   |   |  |  |               |

Comparative information for financial year 2016/17 is as follows:

| 2016/17                                     | Financial Liabilities<br>(measured at Amortised Cost)<br>£000 | Financial Assets (Loans & Receivables)<br>£000 | Financial Assets<br>(Available for Sale)<br>£000 | Total<br>£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)         |
| <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>  |
|   |   |  |  |               |

**(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 2018
- 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 2017           |                    |                       | 31 March 2018           |                    |
|-------------------------|--------------------|-----------------------|-------------------------|--------------------|
| Carrying Amount<br>£000 | Fair Value<br>£000 |                       | Carrying Amount<br>£000 | Fair Value<br>£000 |
| 19,167                  | 23,672             | Financial Liabilities | 18,531                  | 20,817             |

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 2017   |            |                     | 31 March 2018   |            |
|-----------------|------------|---------------------|-----------------|------------|
| Carrying Amount | Fair Value |                     | Carrying Amount | Fair Value |
| £000            | £000       |                     | £000            | £000       |
| 18,209          | 18,215     | Loans & Receivables | 13,705          | 13,705     |

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.

| 2016/17      | Financial Assets Measured at Fair Value                | Input Level in Fair Value Hierarchy | Valuation technique used to measure fair value                  | 2017/18      |
|--------------|--|-------------------------------------|---|--------------|
| £000         |  |                                     |   | £000         |
| 3,230        | Financial Instruments classified as Available for Sale | Level 1                             | Unadjusted quoted priced in active markets for identical shares | 3,383        |
| <b>3,230</b> | <b>Total</b>   |                                     |   | <b>3,383</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.

| Counterparty     | Moody's Short Term Credit Rating | 2017/18<br>£000 |
|------------------|----------------------------------|-----------------|
| Bank of Scotland | P1                               | 3,503           |
| Goldman Sachs    | P1                               | 4,005           |
|                  |                                  | <b>7,508</b>    |

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 2018<br>£000 | % Default based on previous experience | % Default adjusted for current market conditions | Estimated maximum exposure to default<br>£000 |
|--|--------------------------------|--|--|---|
| Deposits with banks and other financial institutions | 11,680                         | Nil                                    | Nil  | 0   |
| Gross Operational Debtors                            | 6,775                          | 38.51%                                 | 22.32%   | 1,512   |
|  |                                |  |  | <b>1,512</b>                                  |

The percentage defaults shown in the above table are high due to the potential bad debt provision of £1,484,000 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 2018 of outstanding debt excluding Housing Benefit Overpayments is £1.055million. Of this amount £0.537million is past its due date for payment. The aged-debt analysis of this sum is as follows:

| 2016/17<br>£000 |                    | 2017/18<br>£000 |
|-----------------|--------------------|-----------------|
| 533             | Less than 3 months | 464             |
| 128             | 3-5 months         | 12              |
| 55              | More than 5 months | 61              |
| <b>716</b>      | <b>Total</b>       | <b>537</b>      |

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

| 2016/17<br>£000 |                                   | 2017/18<br>£000 |
|-----------------|-----------------------------------|-----------------|
| 1,468           | Opening Balance                   | 1,531           |
| (138)           | Write Offs in Year                | (152)           |
| 201             | (Decrease)/Increase to Provisions | 133             |
| <b>1,531</b>    | <b>Closing Balance</b>            | <b>1,512</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 looking to refinance the long term 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. The budget set in February 2018 has identified a future borrowing requirement in order to finance the new leisure facilities in 2019.

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

| 2016/17<br>£000 |                  | 2017/18<br>£000 |
|-----------------|------------------|-----------------|
| 482             | Less than 1 year | 482             |
| 15,000          | 2 - 5 years      | 15,000          |
| <b>15,482</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                            | (341) |

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 2017/18.

#### 4.35 Short Term Debtors

| 2016/17<br>£000 |                               | 2017/18<br>£000 |
|-----------------|-------------------------------|-----------------|
| 1,624           | Central Government Bodies     | 2,916           |
| 618             | Other Local Authorities       | 414             |
| 6,097           | Bodies external to government | 6,964           |
| (1,694)         | Bad debt provisions           | (1,692)         |
| <b>6,645</b>    | <b>Total</b>                  | <b>8,602</b>    |

#### 4.36 Cash and Cash Equivalents

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 1,690           | Cash and Bank  | 619             |
| 1,000           | Short Term Investments with maturity of less than 3 months | 170             |
| <b>2,690</b>    | <b>Total</b>   | <b>789</b>      |

### 4.37 Assets Held for Sale

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 0               | <b>Balance outstanding at 1 April</b>     | 0               |
| 0               | Assets newly classified as held for sale: |                 |
|                 | Property Plant and Equipment              | 382             |
| 0               | <b>Balance outstanding at 31 March</b>    | <b>382</b>      |
|                 |   |                 |

### 4.38 Short and Long-Term Creditors

| 2016/17<br>£000 | Short Term Creditors           | 2017/18<br>£000 |
|-----------------|--------------------------------|-----------------|
| (1,986)         | Central Government Bodies      | (292)           |
| (1,419)         | Other Local Authorities        | (614)           |
| (4,128)         | Other Entities and Individuals | (3,604)         |
| (172)           | Employee Benefits              | (174)           |
| <b>(7,705)</b>  | <b>Total</b>                   | <b>(4,684)</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 £904,735 in 2017/18 (2016/17: £1,213,135).

## 4.39 Provisions

The movement in the level of provisions held by the Council during 2017/18 is as follows: -

|   | 1 April 2017 | Additions<br>in year | Used in<br>year | Unused<br>Amounts<br>reversed | 31 March<br>2018 |
|---|--------------|----------------------|-----------------|-------------------------------|------------------|
|   | £000         | £000                 | £000            | £000                          | £000             |
| Insurance Claims                              | 405          | 0                    | (171)           | 0                             | 234              |
| Municipal Mutual Insurance (MMI)              | 26           | 0                    | 0               | 0                             | 26               |
| Cemeteries Perpetuity Fund                    | 75           | 0                    | 0               | 0                             | 75               |
| Land Charges Provision                        | 132          | 0                    | (1)             | 0                             | 131              |
| Rickergate Properties Ringfenced<br>Account   | 204          | 6                    | (74)            | 0                             | 136              |
| Other Provisions                              | 83           | 5                    | (13)            | 0                             | 75               |
| <b>Total</b>                                  | <b>925</b>   | <b>11</b>            | <b>(259)</b>    | <b>0</b>                      | <b>677</b>       |
| Business Rate Appeals (City<br>Council Share) | 719          | 427                  | (458)           | 0                             | 688              |
| <b>Total (All Provisions)</b>                 | <b>1,644</b> | <b>438</b>           | <b>(717)</b>    | <b>0</b>                      | <b>1,365</b>     |
| <b>Split as:</b>                              |              |                      |                 |                               |                  |
| Falling due within 1 year                     | 1,150        | 427                  | (629)           | 0                             | 948              |
| Falling Due after 1 year                      | 494          | 11                   | (88)            | 0                             | 417              |

**(i) Insurance Claims**

The Council has established a provision totalling £234,000 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 2018 and the insurance provision will therefore cover this value in full. However, it is expected that £142,000 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 2018 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 £688,293 and this is also reflected in the Collection Fund Statement. The overall provision for appeals within the Collection Fund is £1,720,733.

**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.

**4.40 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.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| <b>27,686</b>   | <b>Balance at 1 April</b>   | <b>28,086</b>   |
| 1,012           | Upward Revaluation of Assets  | 1,022           |
| (309)           | Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services      | (1,690)         |
| 703             | Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services | (668)           |
| (294)           | Difference between Fair Value Depreciation and Historic Cost Depreciation   | (305)           |
| (9)             | Accumulated gains on assets sold or scrapped  | (210)           |
| <b>28,086</b>   | <b>Balance at 31 March</b>  | <b>26,903</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.



| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| <b>115,693</b>  | <b>Balance at 1 April</b>   | <b>117,353</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   | (2,048)         |
| (36)            | Amortisation of Intangible Assets   | (25)            |
| (1,659)         | Revaluation losses on Property, Plant and Equipment   | (1,227)         |
| (1,313)         | Revenue Expenditure Funded from Capital under Statute   | (1,737)         |
| (254)           | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES                              | (841)           |
| <b>(5,069)</b>  |   | <b>(5,878)</b>  |
| 303             | Adjusting Amounts written out of the Revaluation reserve  | 515             |
| <b>(4,766)</b>  | <b>Net written out amount of the cost of non-current assets consumed in the year</b>  | <b>(5,363)</b>  |
| <b>110,927</b>  |   | <b>111,990</b>  |
|                 | Capital Financing Applied in the year   |                 |
| 916             | Use of Capital Receipts Reserve to finance new capital expenditure  | 928             |
| 3,047           | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 3,495           |
| 20              | Application of grants to capital financing from the Capital Grants Unapplied Account  | 35              |
| 516             | Statutory provision for the financing of capital investment charged against the General Fund  | 147             |
| 205             | Capital Expenditure charged to Earmarked Reserves   | 0               |
| 3,804           | Capital expenditure charged against the General Fund  | 4,720           |
| <b>8,508</b>    |   | <b>9,325</b>    |
| (2,082)         | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement            | (6,561)         |
| <b>117,353</b>  | <b>Balance at 31 March</b>  | <b>114,754</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.

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| <b>(39,931)</b> | <b>Balance at 1 April</b>  | <b>(42,029)</b> |
| (499)           | Remeasurements of the net defined benefit liability/(asset)  | 8,852           |
| (4,525)         | 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 | (4,515)         |
| 2,926           | Employer's pensions contributions and direct payments to pensioners payable in the year  | 2,754           |
| <b>(42,029)</b> | <b>Balance at 31 March</b>   | <b>(34,938)</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.

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| <b>(227)</b>    | <b>Balance at 1 April</b>  | <b>(5)</b>      |
| 222             | 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 | (160)           |
| <b>(5)</b>      | <b>Balance at 31 March</b>   | <b>(165)</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.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| <b>(188)</b>    | <b>Balance at 1 April</b>   | <b>(172)</b>    |
| 188             | Settlement or cancellation of accrual made at the end of the previous period  | 172             |
| (172)           | Amounts accrued at the end of the current year  | (174)           |
| <b>16</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>(2)</b>      |
| <b>(172)</b>    | <b>Balance at 31 March</b>  | <b>(174)</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

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| <b>445</b>      | <b>Balance at 1 April</b>                    | <b>394</b>      |
| (51)            | Upward/(Downward) Revaluation of Investments | 152             |
| <b>(51)</b>     |  | <b>152</b>      |
| <b>394</b>      | <b>Balance at 31 March</b>                   | <b>546</b>      |
|                 |  |                 |

## 4.41 Capital Expenditure and Capital Financing

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 12,899          | Opening Capital Financing Requirement  | 12,423          |
|                 | <b>Capital Expenditure</b>   |                 |
| 4,490           | Property, Plant and Equipment  | 6,879           |
| 2,193           | Investment Properties  | 948             |
| 22              | Intangible Assets  | 0               |
| 26              | Heritage Assets  | 7               |
| 1,313           | Revenue Expenditure funded from Capital Under Statute                                | 1,737           |
| 8,044           |  | 9,571           |
|                 | <b>Sources of Finance</b>  |                 |
| (916)           | Capital Receipts used to finance expenditure   | (928)           |
| (1,467)         | Government Grants and Contributions  | (1,785)         |
| (4,009)         | Revenue Financing & Reserves   | (4,720)         |
| (516)           | Minimum Revenue Provision  | (147)           |
| (12)            | Transferred Debt   | (12)            |
| (1,600)         | Contributions from other bodies  | (1,745)         |
| (8,520)         |  | (9,337)         |
| <b>12,423</b>   | <b>Closing Capital Financing Requirement</b>   | <b>12,657</b>   |
|                 | <b>Explanation of Movements in year</b>  |                 |
| (476)           | Increase in underlying need to borrow (unsupported by Government Finance Assistance) | 234             |
| <b>(476)</b>    | <b>Increase/(decrease) in Capital Financing Requirement</b>                          | <b>234</b>      |
|                 |  |                 |

## 4.42 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 2017/18 was £4.470m (£4.057m 2016/17). At 31 March 2018 the minimum lease payments under operating leases and contract hire agreements were as follows:

| 2017/18                                      | Property Leases<br>£000 |
|--|-------------------------|
| Not later than 1 year                        | 1,031                   |
| Later than 1 year and not later than 5 years | 2,891                   |
| later than 5 years                           | 44,975                  |
| <b>Total</b>                                 | <b>48,897</b>           |

| 2016/17 - Restated                           | Property Leases<br>£000 |
|--|-------------------------|
| Not later than 1 year                        | 1,129                   |
| Later than 1 year and not later than 5 years | 3,193                   |
| later than 5 years                           | 45,636                  |
| <b>Total</b>                                 | <b>49,958</b>           |

The capital value held within the balance sheet at 31 March 2018 in respect of land and property generating leasehold income is £87.484million (£92.783million 2016/17). 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 £3,364,857. (2016/17: £3,359,665 (restated)).

## 4.43 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 2017/18.

The difference in 2017/18 reflects the impact of the early repayment of the three years LGPS deficit lump sum (£2.830million) by the Council to the Cumbria Local Government Pension Scheme in April 2017. Although the early repayment has already happened accounting standards require the Council to account for the payment of the LGPS deficit lump sum in the year that it falls due as assessed by the actuary. For 2017/18 the value was assessed to be £0.915m. The net Pensions Liability is therefore £1.891million lower than the shortfall reported in the Pensions Reserve reflecting that requirement; the £1.891million is the value of the prepayment that will be accounted for in 2018/19 and 2019/20 respectively. By undertaking the early repayment and therefore paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying its employers deficit to the LGPS by £0.268million over the three years. This saving has been reflected in the Council's revenue budget and MTFP.

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Comprehensive Income and Expenditure Statement</b>  |                 |
|                 | <u>Net Cost of Services</u>  |                 |
| 2,293           | Current Service Costs  | 3,435           |
| 886             | (Gains)/Losses from Settlements  | 118             |
|                 | <u>Financing and Investment Income &amp; Expenditure</u>                                     |                 |
| 1,346           | Net Interest Expense   | 962             |
| <b>4,525</b>    | <b>Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services</b> | <b>4,515</b>    |
|                 | <u>Other Comprehensive Income and Expenditure</u>  |                 |
|                 | Remeasurements of the net defined benefit liability comprising:                              |                 |
| (14,732)        | Return on Plan Assets (excluding the amount included in the net interest expense)            | (2,011)         |
| (1,517)         | Actuarial (Gains) and losses arising on changes in demographic assumptions                   | 0               |
| 38,834          | Actuarial gains and losses arising on changes in financial assumptions                       | (6,841)         |
| (22,086)        | Experience (Gains)/Losses  | 0               |
| <b>499</b>      | <b>Total Other Comprehensive Income &amp; Expenditure</b>                                    | <b>(8,852)</b>  |
| <b>5,024</b>    | <b>Net Charge to the Comprehensive Income &amp; Expenditure Statement</b>                    | <b>(4,337)</b>  |
|                 | <b>Movement in Reserves Statement</b>  |                 |
| 4,525           | Reversal of net charge made for retirement benefits in accordance with IAS 19                | 4,515           |
| (2,926)         | Actual amount charged against the General Fund Balance for pensions in the year              | (2,754)         |
| <b>1,599</b>    | <b>Contribution (to) / from Pension Reserve</b>  | <b>1,761</b>    |
|                 |  |                 |

There have been increases in the discount rates during the year and in some cases a similar increase in the CPI inflation assumption. There are also small gains in investment markets over the period with average returns being marginally ahead of the IAS19 discount rate. The overall effect of these changes will vary from employer to employer but are likely to see deficits reduce slightly over the year.

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

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

| 31 March<br>2017<br>£000 |  | 31 March<br>2018<br>£000 |
|--------------------------|--|--------------------------|
| 167,515                  | Benefit Obligation at beginning of period (1 April)                      | 186,160                  |
| 2,237                    | Current Service Cost   | 3,376                    |
| 5,767                    | Interest on Pension Liabilities  | 4,591                    |
| 701                      | Member Contributions   | 635                      |
|                          | Remeasurement (Gains) and Losses:  |                          |
| (22,086)                 | Experience (Gains)/losses  | 0                        |
| (1,517)                  | Actuarial (Gains)/losses arising from changes in demographic assumptions | 0                        |
| 38,834                   | Actuarial (Gains)/Losses arising from changes in financial assumptions   | (6,841)                  |
| 886                      | Losses/(Gains) on Curtailments   | 118                      |
| (6,177)                  | Benefits/transfers paid  | (5,697)                  |
| 0                        | Lump Sum Prepayment  | (1,891)                  |
| <b>186,160</b>           | <b>Benefit Obligation at end of period (31 March)</b>                    | <b>180,451</b>           |

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

| 31 March<br>2017<br>£000 |  | 31 March<br>2018<br>£000 |
|--------------------------|--|--------------------------|
| 127,584                  | Fair Value of plan assets at beginning of period (1 April)                           | 144,131                  |
| 4,421                    | Interest on Plan Assets  | 3,629                    |
|                          | Remeasurement gain/(loss):   |                          |
| 14,732                   | The return on plan assets, excluding the amount included in the net interest expense | 2,011                    |
| (56)                     | Other - Administration Expenses  | (59)                     |
| 2,926                    | Employer Contributions   | 2,754                    |
| 701                      | Member Contributions   | 635                      |
| (6,177)                  | Benefits/transfers paid  | (5,697)                  |
| <b>144,131</b>           | <b>Fair Value of plan assets at end of period (31 March)</b>                         | <b>147,404</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<br>2017<br>£000 |  | 31 March<br>2018<br>£000 |
|--------------------------|--|--------------------------|
| 186,160<br>(144,131)     | Present value of the defined benefit obligation<br>Fair Value of Plan Assets | 180,451<br>(147,404)     |
| <b>42,029</b>            | <b>Net Liability arising from defined benefit obligation</b>                 | <b>33,047</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 £5,640,000 (2016/17: a gain of £24,062,000).

**(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 2017.

The main assumptions used in their calculations are:

| 2016/17 |   | 2017/18 |
|---------|---|---------|
|         | Mortality assumptions:                  |         |
|         | Longevity at 65 for current pensioners: |         |
| 23.10   | Men                                     | 23.20   |
| 25.70   | Women                                   | 25.80   |
|         | Longevity at 65 for future pensioners:  |         |
| 25.40   | Men                                     | 25.50   |
| 28.40   | Women                                   | 28.50   |
| 2.30%   | Rate of Inflation (CPI)                 | 2.10%   |
| 3.80%   | Rate of Increase in Salaries            | 3.60%   |
| 2.30%   | Rate of increase in Pensions            | 2.20%   |
| 2.50%   | Rate of discounting Scheme Liabilities  | 2.60%   |

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:



| 2016/17        |                    | 2017/18        |
|----------------|--------------------|----------------|
| £000           |                    | £000           |
| 73,219         | Equity Investments | 73,259         |
| 28,106         | Government Bonds   | 25,796         |
| 9,512          | Bonds              | 9,139          |
| 14,557         | Property           | 13,709         |
| 4,612          | Cash/Liquidity     | 7,812          |
| 14,125         | Other Assets       | 17,689         |
| <b>144,131</b> |                    | <b>147,404</b> |

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

| 2017/18       |  | +0.1% p.a.<br>discount<br>Rate | +0.1% p.a.<br>inflation | +0.1% Pay<br>Growth | 1 Year<br>Increase in<br>Life<br>Expectancy |
|---------------|--|--------------------------------|-------------------------|---------------------|---|
| £000          |  | £000                           | £000                    | £000                | £000  |
| 180,451       | Liability                                    | 177,376                        | 183,578                 | 180,878             | 184,061                                     |
| (147,404)     | Assets                                       | (147,404)                      | (147,404)               | (147,404)           | (147,404)                                   |
| <b>33,047</b> | <b>Deficit / (Surplus)</b>                   | <b>29,972</b>                  | <b>36,174</b>           | <b>33,474</b>       | <b>36,657</b>                               |
| 3,140         | Projected Service Cost for<br>Next Year      | 3,051                          | 3,234                   | 3,140               | 3,206                                       |
| 874           | Projected Net Interest Cost for<br>Next Year | 824                            | 958                     | 888                 | 971   |

### (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 £2,429,622 expected contributions to the scheme in 2017/18. For 2018/19 the Council expects to pay total employer contributions of £2,646,000, however it has made an upfront contribution to the pension fund for the amount of contributions in respect of funding the pension deficit for the three-year period from 2017/18 to 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2017/18 (17 years 2016/17).

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

## 4.44 Contingent Assets

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

At 31 March 2018 £291,658 (31 March 2017 £194,868) 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 2017/18 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.

## 4.45 Contingent Liabilities

**(a) Home Group**

During 1992/93 the City Council entered into a joint scheme with Home Group 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 Group have raised a total of £100million through a stock issue, which will mature in 2037. In order to enable Home Group 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 Group. 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 2018 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Group 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 2018, 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 2018. Local businesses can appeal against the rating list in 2017/18 and beyond. Because the majority of appeals against the 2010 Rating List will now have been lodged, it is difficult to quantify any potential

new appeals against the updated 2017 list. Due to the uncertainty around these potential appeals the provision that has been included in the accounts is based on historical evidence of appeals being made and being successful, however it is recognised that any appeals could result in a liability for the Council if submitted that may not be covered by the appeals provision established.

#### **4.46 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council is taking legal action through an adjudication process in relation to a contract that was undertaken in 2016/17 and 2017/18. The outcome of this adjudication will not be known until after the authorised for issue date.

The Council has had to take emergency action to make safe a dangerous structure within Carlisle under section 78 of the Building Act 1984. The Council considered a report on 17 July regarding use of General Fund Reserves in order to undertake these works.

#### **4.47 Authorisation for Issue**

The draft Statement of Accounts were authorised for issue on 30 May 2018 by the Chief Finance Officer, Alison Taylor CPFA. The audited Statement of Accounts were re-authorised for issue on 18 July 2018 by the Deputy Chief Finance Officer (Deputy S.151 Officer), Steven Tickner, CPFA for approval by the Audit Committee at its meeting on 30 July 2018. This is the date up to which post balance sheet events have been considered.

## Cash-Flow Statement

### 4.48 Cash Flow Statement – Operating Activities

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| (385)           | (Surplus) / Deficit on the Provision of Services   | 1,540           |
|                 | <b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>   |                 |
| (3,502)         | Depreciation and downward revaluation charges  | (3,300)         |
| (2,082)         | Movement in Fair Value of Investment Properties  | (6,561)         |
| (254)           | Carrying amount of non current assets sold   | (841)           |
| (1,599)         | Pension (IAS 19)   | (1,761)         |
| 6               | Increase/(decrease) in inventories   | (32)            |
| 1,949           | Increase/(decrease) in debtors   | 500             |
| 2,289           | (Increase)/decrease in creditors   | 2,301           |
| (22)            | Other non-cash items charged to net surplus/deficit on provision of services   | (2)             |
| (3,215)         |  | (9,696)         |
|                 | <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                 |
| 916             | Proceeds from the sale of property plant and equipment, investment property and intangible assets  | 928             |
| 1,450           | Capital Grants charged to Comprehensive Income and Expenditure   | 1,274           |
| 2,366           |  | 2,202           |
| (1,234)         | <b>Net Cash Flow from Operating Activities</b>   | (5,954)         |
|                 | <b>Shown within Net Cash Flow from Operating Activities</b>  |                 |
| 1,303           | Interest Payable   | 1,304           |
| (294)           | Interest Receivable  | (226)           |
| 1,009           |  | 1,078           |
|                 |  |                 |

## 4.49 Cash Flow Statement – Investing and Financing Activities

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Investing Activities</b>  |                 |
| 6,404           | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets               | 7,726           |
| 37,000          | Purchase of Short Term and Long Term Investments   | 20,500          |
| (662)           | Other Payments for Investing Activities  | (142)           |
| (968)           | Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (899)           |
| (39,000)        | Proceeds from Short Term and Long Term Investments   | (23,500)        |
| (2,561)         | Other Receipts from Investing Activities   | (143)           |
| <b>213</b>      | <b>Net Cash Flows from Investing Activities</b>  | <b>3,542</b>    |
|                 | <b>Financing Activities</b>  |                 |
| (919)           | Other payments for financing activities  |                 |
| 0               | Movement in relation to Business Rates and Council Tax   | 2,422           |
|                 | Movement in relation to Pension Fund Prepayment  | 1,891           |
| <b>(919)</b>    | <b>Net Cash Flows from financing Activities</b>  | <b>4,313</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.

| 2016/17<br>Council<br>Tax<br>£000 |   | 2017/18<br>Council<br>Tax<br>£000 |
|-----------------------------------|---|-----------------------------------|
| 54,588                            | <b>Amounts required by statute to be credited to the Collection Fund</b><br>Council Tax (showing the amount receivable, net of benefits discounts for prompt payment and transitional relief) | 57,103                            |
| <b>54,588</b>                     | <b>Total Income</b>   | <b>57,103</b>                     |
|                                   | <b>Amounts required by statute to be debited to the Collection Fund</b><br>Precepts and demands from Major Preceptors and the Authority - Council Tax   |                                   |
| 40,121                            | Cumbria County Council  | 42,972                            |
| 7,057                             | Police and Crime Commissioner for Cumbria   | 7,409                             |
| 6,933                             | Carlisle City Council   | 7,347                             |
|                                   | Impairment of debts/appeals for Council Tax   |                                   |
| (104)                             | Write Offs of uncollectable amounts   | (73)                              |
| 22                                | Allowance for Impairment  | 82                                |
| 93                                | Contribution towards previous year's estimated Collection Fund Surplus - Council Tax  | 137                               |
| <b>54,122</b>                     | <b>Total Expenditure</b>  | <b>57,874</b>                     |
| 1,242                             | <b>Opening Fund Balance - Council Tax Surplus/(Deficit)</b>   | 1,708                             |
| 1,708                             | <b>Closing Fund Balance - Council Tax Surplus/(Deficit)</b>   | 937                               |
| 466                               | <b>Movement on Fund Balance - Council Tax</b>   | (771)                             |

| 2016/17<br>Non-Domestic<br>Rates<br>£000 |  | 2017/18<br>Non-Domestic<br>Rates<br>£000 |
|--|--|--|
| 44,175                                   | <b>Amounts required by statute to be credited to the Collection Fund</b><br>Non Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs) | 43,819                                   |
| <b>44,175</b>                            | <b>Total Income</b>  | <b>43,819</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   |  |
| 4,415                                    | Cumbria County Council   | 4,121                                    |
| 17,662                                   | Carlisle City Council  | 16,483                                   |
| 22,077                                   | Central Government   | 20,604                                   |
| 61                                       | Transitional Protection payments non-domestic rates  | 3,025                                    |
| 181                                      | Charge to General Fund for allowable collection costs for Non-Domestic Rates   | 176                                      |
| 53                                       | Disregarded Amounts - Renewable Energy Schemes   | 334                                      |
|  | Impairment of debts/appeals for Non-Domestic Rates   |  |
| 103                                      | Write Offs of uncollectable amounts  | 81                                       |
| (21)                                     | Allowance for Impairment (Bad Debts)   | (51)                                     |
| (304)                                    | Movement in Provision for Appeals  | (77)                                     |
| (396)                                    | Contribution towards previous year's estimated Collection Fund Surplus - Non-Domestic Rates  | (248)                                    |
| <b>43,831</b>                            | <b>Total Expenditure</b>   | <b>44,448</b>                            |
| (967)                                    | <b>Opening Fund Balance - Non-Domestic Rates Surplus/(Deficit)</b>   | (623)                                    |
| (623)                                    | <b>Closing Fund Balance - Non Domestic Rates Surplus/(Deficit)</b>   | (1,252)                                  |
| 344                                      | <b>Movement on Fund Balance - Non Domestic Rates</b>   | (629)                                    |

The Summary of the Collection Fund Balances is as follows:

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| (967)           | Opening Fund Balance - Surplus/(Deficit) - Non-Domestic Rates    | (623)           |
| 1,242           | Opening Fund Balance - Surplus/(Deficit) - Council Tax           | 1,708           |
| <b>275</b>      | <b>Total Opening Collection Fund Balance</b>                     | <b>1,085</b>    |
| 344             | Movement on Collection Fund - Non-Domestic Rates                 | (629)           |
| 466             | Movement on Collection Fund - Council Tax                        | (771)           |
| <b>810</b>      | <b>Total Movement on Collection Fund Balance</b>                 | <b>(1,400)</b>  |
| (623)           | Closing Fund Balance - Surplus/(Deficit) - Non-Domestic Rates    | (1,252)         |
| 1,708           | Closing Fund Balance - Surplus/(Deficit) - Council Tax           | 937             |
| <b>1,085</b>    | <b>Total Closing Collection Fund Balance - Surplus/(Deficit)</b> | <b>(315)</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 2017/18 Statement of Accounts as follows:

- The £937,227 surplus is accounted for in line with the Code of Practice 2017 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £117,885 Carlisle share of the surplus is shown as a balance on the Collection Fund Adjustment Account. The £697,483 share is attributable to the County Council and the £121,859 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 2017/18 Statement of Accounts as follows:

The £1,251,731 deficit is accounted for in line with the Code of Practice 2017 guidance, with the Council acting as the major precepting authorities' agent in the collection of Business Rates. The £500,693 Carlisle share of the deficit is shown as a balance on the Collection Fund Adjustment Account. The £625,865 share is attributable to Central Government and the £125,173 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 2017/18, as a Band D equivalent, was as follows:

| Band  | No. of Properties | Ratio | Band D Equivalent |
|---|-------------------|-------|-------------------|
| Disabled  | 39.31             | 5/9   | 21.84             |
| A   | 14,372.75         | 6/9   | 9,581.83          |
| B   | 9,947.74          | 7/9   | 7,737.13          |
| C   | 6,682.20          | 8/9   | 5,939.73          |
| D   | 4,921.37          | 9/9   | 4,921.37          |
| E   | 2,535.66          | 11/9  | 3,099.14          |
| F   | 1,053.66          | 13/9  | 1,521.96          |
| G   | 339.88            | 15/9  | 566.47            |
| H   | 19.95             | 18/9  | 39.90             |
|   | <b>39,912.52</b>  |       | <b>33,429.37</b>  |
| Second Homes  | 178.66            |       | 178.66            |
| Relevant Amount   | <b>39,733.86</b>  |       | <b>33,250.71</b>  |
| Estimated Collection Rate   |                   |       | 98.50%            |
| <b>Council Tax Base =</b><br><b>Relevant Amount (Band D Equivalent) x Collection Rate</b> |                   |       | <b>32,751.95</b>  |

**Income from Business Ratepayers**

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (47.9p in 2017/18), 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 £107,642,936 for the year 2017/18 (£108,245,102 in 2016/17).

**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 2017/18 the values were: -

| 2016/17<br>£ |                          | 2017/18<br>£ |
|--------------|--------------------------|--------------|
| 6,933,210    | Carlisle City Council    | 7,347,104    |
| 40,120,943   | Cumbria County Council   | 42,972,400   |
| 7,057,359    | Cumbria Police Authority | 7,408,612    |

Included in the amount for the City Council is a precept of £552,399 (2017/18: £502,638) which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

## SECTION 6 – DRAFT ANNUAL GOVERNANCE 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 2018 and up to the date of approval of the Statement of Accounts for 2017/18.

## **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. The plan is accompanied by a 'Plan on Page', this sets out the key actions for fulfilling the plan. The Plan on a Page has been revised during the year as key actions have been completed. 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 (which were refreshed and expanded in 2017/18) ensure 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 Transformation SMT sub-group has continued to develop smarter service delivery following the launch of a new '.gov' website. The focus is now on the continued development of 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 2017/18 detailed below:

---

<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 08/18 4<sup>th</sup> Quarter Performance Report 2017/18, 25/6/18

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

Partnership governance arrangements are now in place for the Enterprise Zone and this has enabled the approval of a Cumbria Infrastructure Fund application for up to £5Million. Carlisle Airport is being readied for passenger flights; conversations with partners regarding marketing support are ongoing. Work on the Borderlands Growth Deal continues with discussions on the themes and projects between partners and the Government Departments responsible. The next stage will be the development and submission of outline Business Cases to the Government in the summer for consideration. The development and adoption of a masterplan covering St. Cuthbert's Garden Village has accelerated with additional funding from the Government's Locally Led Garden Villages Programme.

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

The retendering and award of a new leisure contract with a significantly reduced subsidy has been completed. The outline designs and budgetary package have been prepared for Sands Centre Development. The cycle track and Tennis Canopy have been completed and are open. A revised financial plan has been developed to for the Old Fire Station for 2018/19. Wi-Fi has been established and rolled out across a number of Community Centres.

Four abstracts have been submitted to the World Health Organisation Phase VI Healthy City event:

- Investing in health and wellbeing
- Prism Arts
- St Cuthberts GV
- Sugar Smart survey

Work has continued with partners to design and develop a workplace health partnership through a 'Better Health at Work Application'.

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

The uptake and better management of allotments to provide space for growing fresh and healthy food has reached a point where the law of diminishing returns applies, uptake is now at 89%.

The annual work programme for the Play Area Strategy has been completed. This strategy encourages outdoor play through the provision and access to high quality play facilities for our children.

Crindledyke cycleway is now in Phase 2: planning conditions have been met and work is due to start early in 2018/19.

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

Work on the Housing Strategy, inclusive of a housing delivery action plan, commenced in Spring 2017, it will be adopted in 2018. Planning permission has been secured for a 40 unit 'Demonstration Project' scheme at Beverley Rise, Harraby and 66-unit affordable scheme started on site at Holywell Crescent, Botcherby.

The Year 4 actions in the Interagency Homelessness Strategy have been reviewed and developed to reflect changes in legislation and operational service delivery. This is as a result of the implementation of the Homelessness Reduction Act on 3 April 2018; and externally funded projects.

Work has continued to improve standards in the private rented sector (including student accommodation) through inspections, advice and, where necessary, enforcement. The Council's Empty Homes Service has a new grant funded officer and is delivering advice and information to empty homes owners.

The delivery of the annual mandatory Disabled Facilities Grant Programme has continued. The revised Regulatory Reform Order Strategy has improved delivery of adaptations compatible with the discretionary grant.

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

The delivery of a new functional and in-house managed Discover Carlisle website has been completed. A full programme of high-quality events has been delivered to raise the profile of the city, attract more visitors, celebrate diversity and increase pride in the city.

Work with Carlisle Ambassadors throughout the year has raised the profile of Carlisle through business engagement. Carlisle Ambassador businesses collaborated to showcase Carlisle at the North-West Hospitality Show.

A new performance framework was developed during 2016/17 and implemented during 2017/18, which has helped to improve reporting issues identified during a 2016/17 Audit Review. This includes a new suite of KPI's being introduced and monitored with changes also being made to the Service Standards adopted by the Council.

This framework links the Carlisle Plan to Service Plans and the Appraisal Scheme. DMT meetings include performance management linked to the performance reporting cycle. The service planning process was reviewed and simplified, in year, this led to the preparation of plans for 2018/19 in March, once the budget had been set.

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.

### **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. A Boundary Commission review has commenced in Carlisle, with the number of elected members required to serve Carlisle and its residents being considered alongside changes to the ward boundaries. At the time of writing the Boundary Commission has indicated that they are minded to recommend a reduction in the number of elected members from 52 to 39. Warding patterns are currently subject to consultation and the timetable is such that the new arrangements will be introduced via all-out elections in May 2019, and thereafter revert to the election by thirds system.

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 which up until July 2017 there were three (Community, Environment & Economy and Resources). Since that date, and as approved by Council at its meeting of 11<sup>th</sup> July 2017, these Panels were reviewed and to support a robust and effective scrutiny function three new Scrutiny Panels were established, namely, Health & Wellbeing, Economy Growth and Business & Transformation. These Panels continue to 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 2017/18, 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, honesty & 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). 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, Fraud & Corruption and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group. Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers.

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

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 Corporate Risk Management Group (CRMG) 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, led 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.

A Risk Management SMT Subgroup was established during 2017/18; its role was to supplement the CRMG and as part of its remit was to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and H&S risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies we have in place to manage risk.

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. Two external reviews were undertaken by the Council's Risk Management Partner during 2017/18 which included a Review of Safety Culture within Waste Services and a Cemetery Risk Management Review; the results and recommendations of which are currently being assessed. Action plans, to address any areas for improvement, will be drawn up and monitored during 2018/19.

The Council's financial procedure rules include guidance on the retention of records and significant development has been made to improve records management, which was previously identified as a significant control weakness. The Council has developed a Records Management Policy to encompass the collection, storage and sharing of data and data quality arrangements and has arranged for training to be delivered to Officers and Members on records management in 2018/19. This supports the Council's Data Quality Policy which is tested by the Internal Audit Team who reviews the quality, completeness, accuracy and timeliness of performance data as and when it is identified in audit reviews. The Council has also appointed an Information Governance Manager to ensure compliance, amongst other duties, with the new requirements of GDPR.

### **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. Training on Fraud & Corruption has been undertaken during the year and an e-learning module on Money Laundering is also available to all staff. Other e-learning modules will be developed to support the Council's counter-fraud and corruption suite of policies, as appropriate

Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers.

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 June 2017.

## 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 £1.479 million is required in 2018/19, and how this can be achieved has been identified.

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 2017/18 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 2019/20 to 2023/24 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between July and September 2018. 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 BTSP. 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 in accordance with 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, BTSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

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

The 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 individuals within it' incorporating the requirement of '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 Business and Transformation Scrutiny Panel 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 the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups were established throughout 2017/18; 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 Audit Committee receives internal audit reports, prepared using an established risk based audit methodology, with the Committee receiving regular reports on the progress made against agreed recommendations. The Committee also receives External Audit reports and ensures that the Authority provides timely responses to the External Auditors, considers audit findings, and addresses and implements all agreed recommendations.

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 2017/18 the Council continued to comply with 5 key principles of the CIPFA statement.

From 2017/18 the Designated Head of Internal Audit was the Council's Deputy Chief Finance Officer, who manages the in-house Internal Audit team comprising a Principal Auditor and two Auditors. Controls have been put into place to maintain the team's organisational independence.

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 2017/18.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Audit Manager and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if he or she has concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and was assessed as fit for purpose for 2017/18. The audit team has a range of skills and qualifications including AAT and PIIA IIA.

The Designated Head of Internal Audit is CIPFA qualified and has 4 years' experience in Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 8 years' experience in local government internal auditing.

## **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, and recruitment policies are in place that support the achievement of the Council's ethical values. The management competency framework introduced in 2013/14 was developed further during 2014/15 with ongoing 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 has signed the 'Time to Change' pledge to stop stigma about mental health and 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 2017/18 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.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the “partners” expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres. During 2012/13, the Council 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 Business and Transformation 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 Business and Transformation 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 Designated Head of Internal Audit'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 Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit 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.

Records Management has previously been subject to a full audit review and two subsequent follow up reviews, all of which provided a partial assurance rating, and was therefore identified as a significant control weakness in the Council's governance arrangements. This control weakness has been monitored by the Audit Committee with progress reports being reported to



Members of the Committee. A further follow up review in the Spring of 2018 has provided a reasonable assurance, with no significant control weaknesses. The Council has now developed a Records Management Policy to encompass the collection, storage and sharing of data and data quality arrangements and has arranged for training to be delivered to Officers and Members on records management in 2018/19. The Council has also appointed an Information Governance Manager to ensure compliance, amongst other duties, with the new requirements of GDPR. This issue has been removed from the Annual Governance Statement for 2017/18.

## **Conclusion**

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 weaknesses and ensure continuous improvement of the system is in place.

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

## **Signed on behalf of Carlisle City Council**



---

Colin Glover  
Leader of Council



---

Jason Gooding  
Chief Executive

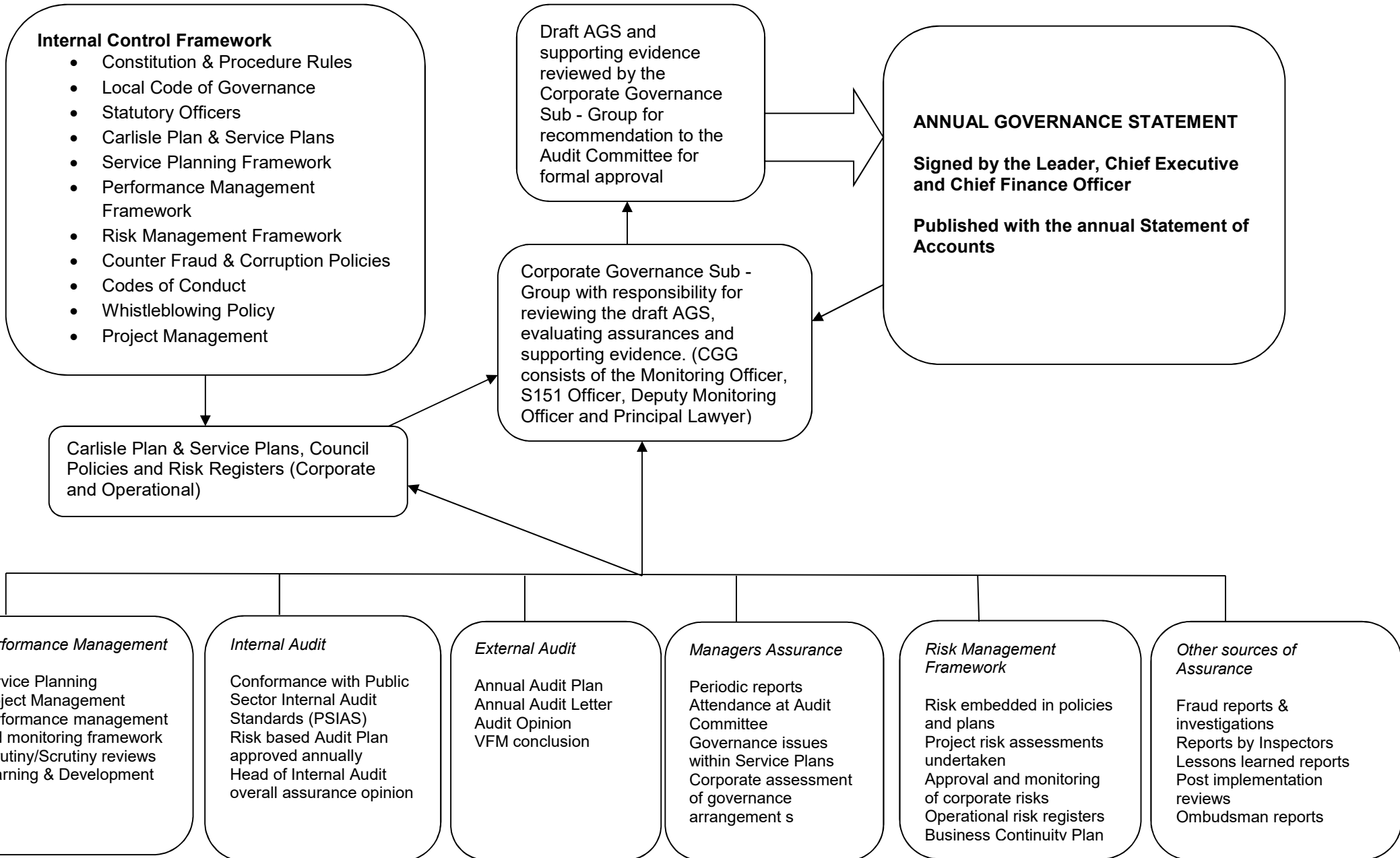


---

Alison Taylor  
Chief Finance Officer

Date: 30 July 2018

## Carlisle City Council Governance Framework



## SECTION 7 - 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>                           |