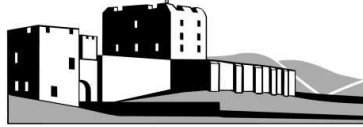


2010/11



**CARLISLE
CITY COUNCIL**



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SINGLE ENTITY

STATEMENT OF ACCOUNTS

2010/11

STATEMENT OF ACCOUNTS

2010/11

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SECTION 1 – FOREWORD

1.1 Introduction

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

The aim is to provide information on:

- the cost of providing Council services in 2010/11;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This foreword gives a guide to the most important matters included in the Statement of Accounts. The Statement for the year ended 31 March 2011 has been produced by the Assistant Director (Resources) and consists of the following: -

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

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

(ii) The Movement in Reserves Statement

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

(iii) The Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

(iv) The Balance Sheet

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

(v) The Cash Flow Statement

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

(vi) Notes to the Financial Statements

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

(vii) The Collection Fund

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

(viii) The Annual Governance Statement

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

1.2 Revenue Expenditure and Financing

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

Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council's revised budget with its performance for 2010/11. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 10.

2010/11 Revenue Budget	£000
Approved Budget (Council Resolution – February 2010)	18,673
Carry forward requests (2009/10 out-turn)	1,518
Revised Budget 2010/11 at February 2011	20,191
Non-Recurring Expenditure	
Fuel Poverty (EEAC Reserve)	40
Career Development Support Package (Job Evaluation Reserve)	75
Transformation Costs (Transformation Reserve)	1,025
Revised Budget 2010/11	21,331

	Revised Budget £000	Actual £000	Variance £000
Local Environment	6,543	6,311	(232)
Community Engagement	8,822	8,312	(510)
Economic Development	3,533	2,702	(831)
Chief Executives	513	424	(89)
Resources	(607)	(858)	(251)
Governance	2,527	2,435	(92)
Service Expenditure	21,331	19,326	(2,005)
Parish Precepts	435	435	0
	21,766	19,761	(2,005)
Transfers from Reserves			
Residents Parking	0	(2)	(2)
Building Control	0	(4)	(4)
EEAC Reserve	(40)	(40)	0
JE Reserve	(75)	(75)	0
Transformation Reserve	(1,025)	(1,025)	0
Projects Reserve/General Fund Balance	(3,141)	(1,130)	2,011
Total Transfer from Reserves	(4,281)	(2,276)	2,005
Financed by:			
Precept from Collection Fund	(7,110)	(7,110)	0
Council Tax Surplus	(3)	(3)	0
National Non Domestic Rate Pool	(9,057)	(9,057)	0
Revenue Support Grant	(1,315)	(1,315)	0
Total Grants	(17,485)	(17,485)	0
Contribution to General Fund Balance	0	0	0

The Council has total usable reserves of £6.619million, of which the total earmarked reserves held by the Council are £2.662 million as at 31 March 2011 (£4.888 million at 31 March 2010). Further details can be found at note 4.5. The Council was under spent by £2.005 million against the revised budget. This resulted in a lower use of reserves in 2010/11 than expected. However, of the under spend, £1.878million is earmarked for carry forward into 2011/12 and future years.

The Council has other unusable reserves totalling £119.639million at 31 March 2011 (£103.952million at 31 March 2010). Certain reserves are kept to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

For a more detailed analysis of the breakdown of income and expenditure and explanation of variances from the budget a revenue outturn report for 2010/11 has been prepared which provides additional information on the year end position. This is available upon request from the Assistant Director (Resources).

1.3 Capital Expenditure and Financing

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

(i) Capital Expenditure

The Council's revised capital programme for 2010/11 was approved at £9.676 million. Overall capital spending for 2010/11, however, totalled £8.644 million, resulting in slippage of £1.032 million to future years. £829,900 expenditure on Highways Claimed Rights capital work was also incurred which was fully funded by £829,900 of income from the County Council. This revises the total expenditure for 2010/11 to £9.474 million. The overall programme can be summarised as follows:

	£000	£000
Revenue Expenditure funded from Capital Under Statute		
Disabled Facilities Grants	1,791	
Highways Claimed Rights	830	
Housing Strategy	465	
Capitalisation of Redundancies	191	
Environmental Improvements	19	
OPDM Flood Grant	36	
Other Minor projects	11	
		3,343
Capital Investment on Assets		
Recycling Scheme	50	
Planned Major Repairs	431	
Regeneration Schemes	7	
Sheepmount (including drainage)	50	
Equipment, Vehicles & Plant	118	
City Council Buildings (including Community Centres)	55	
IT Projects	431	
Revenues & Benefits Shared Service	79	
Low Harker Dene Gypsy & Traveller Site	54	
Historic Quarter	584	
Roman Frontier Gallery	1,548	
Chances Park	212	
Sub Regional Employment Sites	501	
Play & Multi-Use Games Areas	310	
Resource Centre	1,537	
Other Schemes	164	
		6,131
		9,474

The programme has been financed as follows:

	£000
Capital Receipts	241
Specified Capital Grant	663
Other Capital Grants and Contributions	5,775
Direct Revenue Financing	116
Reserves	107
Unfinanced Capital Expenditure	2,572
	9,474

(i) Borrowing

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

(ii) Capital Receipts

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

1.4 Pension Liability

The full implementation of FRS17 (Retirement Benefits) in 2004/05 and subsequently IAS 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £30.005m at 31 March 2011.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £30.005m million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains healthy. The deficit on the local government pension scheme will be made good by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

1.5 Significant Issues

(i) Transition to International Financial Reporting Standards

There have been changes to the Statutory Statements included within this set of accounts following the implementation of the 2010/11 Code. The transition from UK GAAP to an IFRS basis has led to a number of changes in accounting policy, changes to the presentation of the financial statements and the restatement of the 1 April 2009 opening balance sheet and 2009/10 comparative information. A reconciliation between the previous statements under UK GAAP and the restated amounts under IFRS is provided at note 4.53.

(ii) Exceptional Charges to Comprehensive Income and Expenditure Account

The actuarial valuation of the Pension Fund has resulted in a Past Service Gain of £7.698million being credited to services in the Comprehensive Income and Expenditure Statement. This is shown as an exceptional item and is due to a change in the scheme benefits from changing the valuation of pension funds from Retail Price Index (RPI) to Consumer Price Index (CPI). This is then reversed through the Movement in Reserves Statement to reduce the Pension Fund Liability on the Balance Sheet. There is no effect on the General Fund balance from this.

Also included in the Comprehensive Income and Expenditure Statement within Services are the costs associated with the Council's Transformation programme that continued throughout 2010/11. A total of £1.2million was paid in the year, and further details can be found at Note 4.21.

(iii) Usable Capital Receipts Set Aside

During 2007/08, £14.5million of unapplied usable capital receipts was transferred into the Capital Adjustment Account. The effect of this transfer reduced the Council's Capital Financing Requirement to a negative figure as at 31 March 2008 which in turn reduced the Council's Minimum Revenue Provision (MRP) liability for 2008/09 to nil. There is no balance on the Usable Capital Receipts reserve as at 31 March 2011 with the balance of receipts transferred of £7,168,935 held in the Capital Adjustment Account. The cash from these receipts is held within investments on the balance sheet and is available to fund capital expenditure in 2011/12 and future years. In 2010/11 £2,572,368 million was used to fund capital expenditure and this has resulted in the Council's capital financing requirement increasing (Note 4.42).

(iv) Economic Climate

Overall the effect of the economic downturn steadied in 2010/11 as budget expectations took into account the expected effects of lower interest rates and other falls in income. However, Government cuts began to take effect in 2010/11 with reductions in capital grants being significant. Further reductions are expected in the coming years and these have been built into budgets for 2011/12 onwards.

1.6 Major Influences on the Authority

During 2010/11 the Council has continued with its programme of Transformational change in order to make savings and efficiency savings in light of reducing funding levels. Levels of income from Government were severely reduced in 2010/11 with £354,000 reduction in Regional Housing Pot Grant. The Comprehensive Spending Review in November 2010 confirmed that future revenue resources would be significantly reduced in the following years and this led to further savings being identified in the 201/12 budget process.

Transformational savings for 2010/11 were achieved as budgeted and costs associated with achieving these savings are explained at 1.5 above.

1.7 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2010/11 Code. The changes in 2010/11 to accounting policies relate to changes due to the transition to IFRS outlined above.

1.8 Further Information

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Assistant Director (Resources), Civic Centre, Rickergate, Carlisle. In addition, members of the public have a

statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

SECTION 2 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 The Responsibilities of the Council

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Director (Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

2.2 The Responsibilities of the Assistant Director (Resources)

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

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

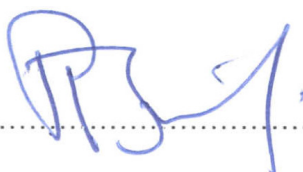
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Assistant Director (Resources) has also:

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

The Assistant Director (Resources) is required to give a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed:



.....

Date:

30 June 2011.....

P Mason - Assistant Director (Resources)

SECTION 3 – FINANCIAL STATEMENTS

3.1 Movement in Reserves Statement

2010/11	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Capital Receipts £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010		3,800	4,888	0	20	73	8,781	103,952	112,733
Movement in reserves during 2010/11									
Surplus/(deficit) on provision of services (accounting basis)		6,469	0	0	0	0	6,469	0	6,469
Other Comprehensive Income and expenditure		0	0	0	0	0	0	7,939	7,939
Total Comprehensive Income and Expenditure		6,469	0	0	0	0	6,469	7,939	14,408
Adjustments between accounting basis and funding basis under regulations	4.4	(8,695)	0	0	0	64	(8,631)	8,631	0
Net Increase / Decrease before Transfers to Earmarked Reserves		(2,226)	0	0	0	64	(2,162)	16,570	14,408
Transfers to/(from) Earmarked Reserves	4.5	2,147	(2,147)	0	0	0	0	0	0
Increase/Decrease in Year		(79)	(2,147)	0	0	64	(2,162)	16,570	14,408
Balance at 31 March 2011		3,721	2,741	0	20	137	6,619	120,522	127,141

2009/10 Comparative Figures	Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Capital Receipts £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	4.4	3,800	7,702	0	20	73	11,595	113,287	124,882
Movement in reserves during 2009/10									
Surplus/(deficit) on provision of services (accounting basis)	4.53b	2,896	0	0	0	0	2,896	0	2,896
Other Comprehensive Income and expenditure		0	0	0	0	0	0	(15,045)	(15,045)
Total Comprehensive Income and Expenditure		2,896	0	0	0	0	2,896	(15,045)	(12,149)
Adjustments between accounting basis and funding basis under regulations	4.4	(5,710)	0	0	0	0	(5,710)	5,710	0
Net Increase / Decrease before Transfers to Earmarked Reserves		(2,814)	0	0	0	0	(2,814)	(9,335)	(12,149)
Transfers to/(from) Earmarked Reserves	4.5	2,814	(2,814)	0	0	0	0	0	0
Increase/Decrease in Year		0	(2,814)	0	0	0	(2,814)	(9,335)	(12,149)
Balance at 31 March 2010		3,800	4,888	0	20	73	8,781	103,952	112,733

3.2 Comprehensive Income and Expenditure Statement

2009/10				Note	2010/11		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
9,867	(8,234)	1,633	Central Services to the Public		11,793	(9,825)	1,968
24,620	(9,381)	15,239	Cultural, Environmental, Regulatory & Planning Services		21,668	(6,825)	14,843
7,613	(5,193)	2,420	Highways & Transport Services		7,725	(5,032)	2,693
30,216	(28,087)	2,129	Other Housing Services		31,335	(29,227)	2,108
3,745	(240)	3,505	Corporate & Democratic Core		3,696	(503)	3,193
2,246	(1,012)	1,234	Non Distributed Costs		378	0	378
0	0	0	Exceptional Items (Past Service Pension Gain)	4.7	(7,698)	0	(7,698)
78,307	(52,147)	26,160	Cost of Services		68,897	(51,412)	17,485
425	(412)	13	Other Operating Expenditure	4.8	443	(223)	220
13,574	(21,334)	(7,760)	Financing and Investment Income and Expenditure	4.9	14,556	(17,295)	(2,739)
0	(7)	(7)	Surplus or Deficit of Discontinued Operations	4.26	0	(3)	(3)
0	(21,302)	(21,302)	Taxation and Non-Specific Grant Income	4.10	0	(21,432)	(21,432)
92,306	(95,202)	(2,896)	(Surplus) or Deficit on Provision of Services		83,896	(90,365)	(6,469)
		117	Surplus or Deficit on Revaluation of Non Current Assets	4.41a			416
		14,928	Actuarial (Gains)/Losses on Pension Assets/Liabilities	4.41c			(8,355)
		15,045	Other Comprehensive Income & Expenditure				(7,939)
		12,149	Total Comprehensive Income & Expenditure				(14,408)

3.3 Balance Sheet

31 March 2009 £000	31 March 2010 £000	Note	31 March 2011	
			£000	£000
		Property, Plant and Equipment		
		Operational Assets		
201	196	Dwellings		191
36,689	37,122	Other Land & Building		37,365
2,473	2,633	Infrastructure Assets		2,609
2,574	3,250	Community Assets		3,559
7,469	8,222	Vehicles & Plant		7,203
		Non Operational Assets		
685	685	Surplus		685
1,011	531	Assets Under Construction		2,840
51,102	52,639	Total Property, Plant and Equipment		54,452
90,711	99,162	Investment Property	4.31	102,033
98	161	Intangible Assets	4.32	218
1,053	1,022	Long Term Investments	4.33b	2,002
		Long Term Debtors	4.33b	
332	296	Transferred Debt - Cumbria County Council		264
1	91	Other Long Term Debtors		77
92,195	100,732			104,594
143,297	153,371	Total Long Term Assets		159,046
		Current Assets		
25,706	21,210	Short Term Investments	4.33b	18,162
530	530	Assets Held for Sale	4.38	530
211	218	Inventories	4.34	179
6,968	7,974	Short Term Debtors	4.36	5,730
248	307	Payments in Advance		98
1,514	115	Cash and Cash Equivalents	4.37	1,306
35,177	30,354	Total Current Assets		26,005
		Current Liabilities		
(26)	(2,541)	Short Term Borrowing	4.33a	(482)
(1,874)	(406)	Provisions	4.40	(872)
(5,390)	(5,604)	Short Term Creditors	4.39	(7,579)
(1,414)	(710)	Capital Grants Receipts in Advance	4.43	(456)
(1,426)	(1,951)	Receipts in Advance		(2,161)
(10,130)	(11,212)	Total Current Liabilities		(11,550)
		Long Term Liabilities		
(147)	(273)	Long Term Creditors	4.39	(1,149)
(15,530)	(15,000)	Long Term Borrowing	4.33a	(15,000)
(318)	(325)	Provisions	4.40	(206)
(27,467)	(44,182)	Other Long Term Liabilities (Pensions)	4.45d	(30,005)
(43,462)	(59,780)	Total Long Term Liabilities		(46,360)
124,882	112,733	Net Assets		127,141

31 March 2009 £000	31 March 2010 £000	Balance Sheet (Cont.)	Note	31 March 2011	
				£000	£000
		Usable Reserves	4.5		
20	20	Deferred Credits		20	
0	0	Deferred Capital Receipts Reserve		0	
0	0	Usable Capital receipts		0	
3,800	3,800	General Fund Reserve Balance		3,721	
7,702	4,888	Earmarked Reserves	4.5	2,741	
73	73	Capital Grants Unapplied Account		137	
11,595	8,781				6,619
		Unusable reserves	4.41		
(27,467)	(44,182)	Pension Reserve		(30,005)	
(76)	(66)	Employee Benefit Reserve		(63)	
135,440	143,059	Capital Adjustment Account		145,915	
(40)	5	Collection Fund Adjustment Account		43	
5,430	5,136	Revaluation Reserve		4,632	
113,287	103,952				120,522
124,882	112,733	Total Reserves			127,141

Certified that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

These accounts were originally Authorised for Issue on 30 June 2011 and have been subsequently reauthorized for Issue on 26 September 2011.

Signed 

Date 27/9/11

P Mason - Assistant Director (Resources)

Approved by Audit Committee 27 September 2011

Signed 

Date 27th September, 2011.

E Mallinson – Chair of Audit Committee

3.4 Cash Flow Statement

2009/10 £000		Note	2010/11 £000
(2,896)	Net surplus or deficit on the provision of services		(6,469)
492	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.51	2,408
3,577	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.51	3,644
1,173	Net cash flows from Operating Activities		(417)
(167)	Net cash flows from Investing Activities	4.52	(546)
393	Net cash flows from Financing Activities	4.52	(228)
1,399	Net increase or decrease in cash and cash equivalents		(1,191)
1,514	Cash and cash equivalents at the beginning of the reporting period		115
115	Cash and cash equivalents at the end of the reporting period		1,306

SECTION 4 – NOTES TO THE ACCOUNTS

4.0 Accounting Policies

First Time Adoption of the Code of Practice 2010: Based on International Reporting Standards.

These financial statements are the first Carlisle City Council financial statements prepared in accordance with the Code of Practice 2010: Based on International Reporting Standards. The Council has applied IFRS 1 in preparing these financial statements, except where interpretations or adaptations to fit the public sector are detailed in the Code. Carlisle City Council's financial statements until 31 March 2010 were prepared in accordance with previous Statement of Recommended Practice (SORP) 2009. The SORP which was based largely on UK GAAP. When preparing the 2010/11 financial statements, certain accounting and valuation methods applied in the SORP 2009 financial statements were amended to comply with IFRS. The comparative figures for 2009/10 were restated to reflect these adjustments.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Note 4.53 shows reconciliations and descriptions of the effect of transferring from UK GAAP to IFRS on the Council's opening balance sheet at 1 April 2009, closing balance sheet at 31 March 2010 and Comprehensive Income and Expenditure Statement for the year ended 31 March 2010.

4.0.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

4.0.2 Accruals of Income and Expenditure

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

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

debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4.0.3 Cash and Cash Equivalents

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

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

4.0.4 Exceptional Items

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

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

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

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

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

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

4.0.6 Charges to Revenue for Non-Current Assets

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

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

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

4.0.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and

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

Termination Benefits

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

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

Post Employment Benefits

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

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

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 5.5%.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

Around 85% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into seven components and recognised in the Statements as follows:
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees

worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
- **Interest cost** – the expected increase in the value of liabilities during the year as they move one year closer to being paid is charged to Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.
- **Expected return on assets** – the annual investment return on fund assets attributable to the Council, based on an average of the expected long-term return is credited to Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.
- **Gains and losses on settlements and curtailments** – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are charged to Non-Distributed Costs within Net Operating costs in the Comprehensive Income and Expenditure Statement.
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions are charged to other income and expenditure in the Comprehensive Income and Expenditure Statement.
- **Contributions paid to the Cumbria Local Government Pension Fund** – cash paid as employers' contributions to the pension fund. This is not accounted for as an expense.

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 4.45 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 2010/11 Code. The following items meeting the new definition are contained within the Council's balance sheet.

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

(i) Borrowing

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

(ii) Creditors

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

Financial Assets

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

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

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

(i) Loans and Receivables**Investments**

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

Debtors (including mortgages)

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

Car Loans

Car Loans are provided to staff deemed to be essential users at a discounted rate of interest and therefore meet the definition of a soft loan within the 2010/11 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 4.33 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

4.0.11 Intangible Asset

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

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

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

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

4.0.12 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/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

4.0.14 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it

controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

4.0.15 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.

4.0.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

4.0.17 Property, Plant and Equipment

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

Recognition

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

Deminimis levels have been set at:

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation

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

Component
Heating and Ventilation System
Windows
Electrical
Water
Windows
Roofing
Lifts

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

4.0.18 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.

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

For 2010/11 the only accounting policy change that needs to be reported relates to FRS30 Heritage Assets. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge of culture. The heritage assets held by the Council are the collections of assets and artefacts wither exhibited or stored museums. The four principal collections of heritage assets held include:

- Ceramics, porcelain work and figurines;
- Pottery machinery and ephemera;
- The art collection;
- The archaeological collection.

Heritage assets are not currently recognised in the financial statements as no information is available on the cost of the assets (these assets are held on an asset register of the Council and detailed records are kept on each asset by the curators of the museum, including insurance valuation information).

The authority estimates that the value of the heritage assets from its insurance records is £15.950million as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £15.950m i.e. a revaluation gain.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. Therefore, there will be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

4.2 Critical Judgements in applying Accounting Policies

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about significant areas of estimation

uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme for major repairs has been reduced due to the Council directing its limited capital resources more strategically.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £31,000 for every year that useful lives had to be reduced.
Debtors & Creditors	Debtors and creditor accruals are prepared on known invoices received/due, or are based on estimates of grant claims, accounting adjustments calculated from systems, e.g. Collection Fund.	Any creditors or debtors that are paid in 2011/12 that differ from the accrual made will result in the difference being funded from the 2011/12 budget.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.085million

4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2010/11:

- Income relating to the administration and payments of Benefits was received from Central Government totalling £25,743,000 with corresponding payments of benefits totalling £25,746,000.
- Council tax income of £7,150,000 was credited to the Comprehensive Income and Expenditure Statement
- Redistributed NNDR of £9,057,000 was received from Central Government
- The continued Transformation programme of the Council resulted in Termination payments of £1,216,378 being made in the year. These were charged to services and included redundancy pay and pension costs. These items were funded from the Transformation Reserve.

Movement in Reserves Statement

4.4 Adjustments between accounting basis and funding basis under Regulations

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

2010/11	General Fund balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Deferred Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Short Term Compensated Absences £000	Total Authority Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement													
(Amounts included in I&E to be removed for determining movement in general fund)													
Depreciation / Amortisation	2,897					2,897	(2,897)			(2,897)			0
Impairment/revaluation losses (charged to CIES)	426					426	(426)			(426)			0
Capital grant and contributions applied charged to CIES	(3,781)					(3,781)	3,781			3,781			0
Revenue Expenditure Funded from Capital under Statute (England and Wales)	709					709	(709)			(709)			0
Movement in market value of investment property	(2,514)					(2,514)	2,514			2,514			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	153					153	(153)			(153)			0
Capital grant and contributions unapplied credited to CIES	(86)				86	0	0			0			0
Use of capital grants and contributions to finance capital expenditure	0				(22)	(22)	22			22			0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(241)		241			0	0			0			0
Use of capital receipts reserve to finance capital expenditure	0		(241)			(241)	241			241			0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,880)					(2,880)	2,880	2,880					0
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)	(38)					(38)	38				38		0
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)					(3)	3					3	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement													
(Amounts excluded in I&E to be included for determining movement in general fund)													
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(184)					(184)	184			184			0
Statutory Repayment of Debt (Finance Lease Liabilities)	0					0	0			0			0
Revenue contribution to finance capital	(211)					(211)	211			211			0
Employers contributions to pension schemes	(2,942)					(2,942)	2,942	2,942					0
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	0					0	0						0
Other adjustments include						0							0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.						0	0	(88)		88			0
Adjustments between accounting basis & funding basis under regulation	(8,695)	0	0	0	64	(8,631)	8,631	(88)	5,822	2,856	38	3	0

	General Fund balance	Earmarked GF Reserves	Capital Receipts Reserve	Deferred Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Short Term Compensated Absences	Total Authority Reserves
2009/10 Comparative Figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement													
(Amounts included in I&E to be removed for determining movement in general fund)													
Depreciation / Amortisation	2,500					2,500	(2,500)			(2,500)			0
Impairment/revaluation losses (charged to CIES)	1,113					1,113	(1,113)			(1,113)			0
Capital grant and contributions applied	(3,857)					(3,857)	3,857			3,857			0
Revenue Expenditure Funded from Capital under Statute (England and Wales)	93					93	(93)			(93)			0
Movement in market value of investment property	(7,048)					(7,048)	7,048			7,048			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	302					302	(302)			(302)			0
Capital grant and contributions unapplied credited to CIES	(22)					(22)	22			22			0
Use of capital grants and contributions to finance capital expenditure	0					0	0						0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(352)		352			0	0			0			0
Use of capital receipts reserve to finance capital expenditure	0		(352)			(352)	352			352			0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,794					6,794	(6,794)	(6,794)					0
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation (England only)	(45)					(45)	45				45		0
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10)					(10)	10					10	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement													
(Amounts excluded in I&E to be included for determining movement in general fund)													
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(76)					(76)	76			76			0
Statutory Repayment of Debt (Finance Lease Liabilities)	0					0	0						0
Revenue contribution to finance capital	(95)					(95)	95			95			0
Employers contributions to pension schemes	(5,007)					(5,007)	5,007	5,007					0
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	0					0	0						0
Other adjustments include	0					0	0						0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0					0	0	(92)		92			0
Adjustments between accounting basis & funding basis under regulat	(5,710)	0	0	0	0	(5,710)	5,710	(92)	(1,787)	7,534	45	10	0

4.5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posts back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31 March 2011
Capital:							
Lanes Capital Fund	296	0	15	311	0	15	326
CLL Reserve	522	0	0	522	0	0	522
Asset Investment Reserve	48	0	0	48	0	0	48
Total Capital Reserves	866	0	15	881	0	15	896
Revenue							
Projects Reserve	5,261	(4,210)	0	1,051	(1,051)	0	0
Sure Start Reserve	134	(134)	0	0	0	0	0
EEAC Reserve	303	(26)	0	277	(85)	0	192
Transformation Reserve	0	0	1,479	1,479	(1,025)	430	884
Job Evaluation Reserve	399	0	94	493	(505)	130	118
Residents Parking Reserve	(79)	(18)	0	(97)	(2)	0	(99)
Licensing Reserve	14	0	0	14	0	0	14
Building Control Reserve	(23)	0	0	(23)	(4)	0	(27)
Routledge Reserve	42	0	0	42	0	0	42
Sheepmount Reserve	106	(14)	0	92	(50)	0	42
Consevation Fund	191	0	0	191	0	0	191
LSVT Warranties	488	0	0	488	0	0	488
Total Revenue Reserves	6,836	(4,402)	1,573	4,007	(2,722)	560	1,845
Total Earmarked Reserves	7,702	(4,402)	1,588	4,888	(2,722)	575	2,741
Other Usable Reserves							
Deferred Credits	20	0	0	20	0	0	20
General Fund Balance	3,800	(2,800)	2,800	3,800	(2,210)	2,131	3,721
Capital Grant Unapplied	73	0	0	73	(22)	86	137
Total Usable Reserves	11,595	(7,202)	4,388	8,781	(4,954)	2,792	6,619

4.6 Nature and Purpose of Reserves

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

(a) Earmarked Reserves

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

- (b) Deferred Credits** This represents the balance of capital debtors recognised within long term debtors in respect of Housing Act Mortgage Debtors which remain outstanding at the year end and, therefore, cannot be counted within the useable capital receipts reserve.
- (c) General Fund Balances**
This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.
- (d) Capital Grants Unapplied**
This represents capital grants that have been received and recognised in the Comprehensive Income and Expenditure Statement but which have yet to be applied to finance capital expenditure.
- (e) Useable Capital Receipts Reserve**
Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Useable Capital Receipts Reserve is a reserve established for specific statutory purposes.
- (f) Capital Adjustment Account**
This account exists to capture those elements of capital accounting required by the Code other than those taken through the revaluation reserve.
- (g) Pension Reserve**
This reserve captures those charges and movements required to be recognised under IAS 19 when calculating total gains and losses for the year but which are required to be excluded from the movement on general fund balances.
- (h) Revaluation Reserve**
This reserve was newly created in 2007/2008 and captures the cumulative surplus recognised (but not realised) on the revaluation of fixed assets held by the Council.
- (i) Collection Fund Adjustment Account**
This account was newly created in 2009/2010 and exists to capture the difference between the amount of income recognised in the Comprehensive Income and Expenditure Statement relating to the collection of Council Tax and that required by Statute to be charged to the General Fund.
- (j) Employee Benefit Reserve**
This reserve was newly created under IFRS in 2010/11 and exists to capture the difference between the amount of expenditure recognised in the Comprehensive Income and Expenditure Statement relating to accrued holiday pay and flexi time and that required by Statute to be charged to the General Fund.

Comprehensive Income and Expenditure

4.7 Exceptional Items

As part of the pension fund valuation, the past service gain as a result of the change in valuation basis from Retail Price Index (RPI) to Consumer Price Index (CPI) is shown as an Exceptional item in the Comprehensive Income and Expenditure Statement. This past service gain totalled £7.698m. Further details can be found in Note 4.22 and 4.45.

The continued Transformation programme of the Council resulted in Termination payments of £1,216,378 being made in the year. Of this £1,025,116 was charged to services and included redundancy pay and pension costs. These items were funded from the Transformation Reserve. The remaining £191,262 was funded from capital receipts and treated as Revenue Expenditure Funded from Capital under Statute as a capitalisation direction was awarded for 2010/11.

2009/10 £000		2010/11 £000
303	Central Services to the Public	136
87	Cultural, Environmental, Regulatory & Planning Services	618
2	Highways and Transport Services	41
1	Other Housing Services	101
25	Corporate and Democratic Core	14
1,356	Non Distributed Costs	291
1	Surplus/Deficit from Trading Operations (Financing and Investment Income & expenditure)	15
1,775	Total	1,216

4.8 Other Operating Expenditure

2009/10 £000		2010/11 £000
425	Parish Council Precepts	435
(412)	Gains/Losses on disposal of non-current assets	(215)
13	Total	220

4.9 Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
1,295	Interest payable and similar charges	1,301
2,536	Pensions interest cost and expected return on pension assets	1,980
(844)	Interest receivable and similar income	(431)
(10,817)	Income and expenditure in relation to investment properties and changes in their fair value	(5,658)
70	Surplus/Deficit on Trading Undertakings	69
(7,760)	Total	(2,739)

4.10 Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(6,960)	Council Tax Income	(7,150)
(8,385)	Non-Domestic Rates	(9,057)
(2,078)	Non-Ring-fenced Government Grants	(1,444)
(3,879)	Recognised Capital Grants & Contributions	(3,781)
(21,302)	Total	(21,432)

4.11 Investment Properties

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

2009/10 £000		2010/11 £000
(5,281)	Rental Income from investment property	(4,218)
1,257	Direct operating expenses from investment property that generated rental income during the period	974
(7,048)	Change in Fair Value of Investment Properties	(2,514)
255	(Gains)/Losses on Disposal of Investment Properties	100
(10,817)	Net (Gain)/Loss	(5,658)

4.12 Amounts reported for Resource Allocation Decisions

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

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

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

(a) Service Expenditure

Directorate Income and Expenditure 2010/11	Chief Executive £000	Governance £000	Resources £000	Community Engagement £000	Economic Development £000	Local Environment £000	Total £000
Fees, charges and other service income	(3)	(471)	(4,758)	(1,228)	(1,131)	(4,840)	(12,431)
Interest and Other investment Income	0	0	(431)	(1)	0	0	(432)
Government Grants and contributions	0	(107)	(33,763)	(4,242)	(485)	(3,534)	(42,131)
Recharges / Support Services Recharges	(102)	0	(1,799)	0	0	(2,365)	(4,266)
Total Income	(105)	(578)	(40,751)	(5,471)	(1,616)	(10,739)	(59,260)
Employee Expenses	916	1,251	3,821	7,351	2,428	6,398	22,165
Other service charges	251	761	40,100	5,321	1,265	9,351	57,049
Recharges / Support Service Recharges	(638)	1,001	(4,027)	1,112	626	1,299	(627)
Total Expenditure	529	3,013	39,894	13,784	4,319	17,048	78,587
Net Expenditure	424	2,435	(857)	8,313	2,703	6,309	19,327

Directorate Income and Expenditure 2009/10 Comparative Figures	Chief Executive £000	Governance £000	Resources £000	Community Engagement £000	Economic Development £000	Local Environment £000	Total £000
Fees, charges and other service income	(13)	(419)	(5,305)	(1,178)	(1,252)	(4,778)	(12,945)
Interest and Other investment Income	0	0	(843)	(5)	0	0	(848)
Government Grants and contributions	(3)	(181)	(33,035)	(2,919)	(1,405)	(3,373)	(40,916)
Recharges / Support Services Recharges	0	0	(1,899)	0	0	(1,650)	(3,549)
Total Income	(16)	(600)	(41,082)	(4,102)	(2,657)	(9,801)	(58,258)
Employee Expenses	906	1,335	7,691	5,735	2,563	6,568	24,798
Other service charges	360	692	38,374	6,031	2,251	8,567	56,275
Recharges / Support Services Recharges	(1,098)	1,191	(3,645)	711	499	1,571	(771)
Total Expenditure	168	3,218	42,420	12,477	5,313	16,706	80,302
Net Expenditure	152	2,618	1,338	8,375	2,656	6,905	22,044

(b) Reconciliation to Subjective Analysis

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

2010/11	Directorate Analysis £000	Service and Support Services Not in Analysis £000	Amounts not reported to Management for Decision Making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(12,431)	0	(1,804)	8,540	0	(5,695)	(8,749)	(14,444)
Interest and Investment Income	(432)	0	0	431	0	(1)	(5,992)	(5,993)
Income from Council Tax	0	0	0	0	0	0	(7,150)	(7,150)
Government Grants and Contributions	(42,131)	0	(86)	128	0	(42,089)	(14,281)	(56,370)
Recharges	(4,266)	0	0	0	639	(3,627)	0	(3,627)
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	0	0	0	(267)	(267)
Change in Fair Value of Investment Property	0	0	0	0	0	0	(2,514)	(2,514)
Total Income	(59,260)	0	(1,890)	9,099	639	(51,412)	(38,953)	(90,365)
Employee Expenses	22,165	0	(5,136)	(2,669)	0	14,360	7,541	21,901
Other service expenses	57,049	0	2,513	(5,807)	0	53,755	5,570	59,325
Non-Support & Support Service Recharges	(627)	0	0	0	(639)	(1,266)	0	(1,266)
Depreciation, amortisation and impairment	0	0	3,323	0	0	3,323	0	3,323
Interest Payments	0	0	0	(1,301)	0	(1,301)	1,301	0
Precepts and Levies	0	0	0	0	0	0	435	435
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	26	0	0	26	152	178
Total Expenditure	78,587	0	726	(9,777)	(639)	68,897	14,999	83,896
Surplus/Deficit on Provision of Services	19,327	0	(1,164)	(678)	0	17,485	(23,954)	(6,469)

2009/10 Comparative Figures	Directorate Analysis £000	Service and Support Services Not in Analysis £000	Amounts not reported to Management for Decision Making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(12,945)	0	0	99	0	(12,846)	(9,355)	(22,201)
Interest and Investment Income	(848)	0	0	844	0	(4)	(5,193)	(5,197)
Income from Council Tax	0	0	0	0	0	0	(6,960)	(6,960)
Government Grants and Contributions	(40,916)	0	1,477	142	0	(39,297)	(14,342)	(53,639)
Recharges	(3,549)	0	0	0	3,549	0	0	0
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	0	0	0	(157)	(157)
Change in Value of Investment Properties	0	0	0	0	0	0	(7,048)	(7,048)
Total Income	(58,258)	0	1,477	1,085	3,549	(52,147)	(43,055)	(95,202)
Employee Expenses	24,798	0	2,071	(2,829)	0	24,040	6,883	30,923
Other service expenses	56,275	0	93	1,348	0	57,716	5,396	63,112
Non-Support & Support Service Recharges	(771)	0	0	0	(3,549)	(4,320)	0	(4,320)
Depreciation, amortisation and impairment	0	0	2,059	0	0	2,059	0	2,059
Interest Payments	0	0	0	(1,295)	0	(1,295)	1,295	0
Precepts and Levies	0	0	0	0	0	0	425	425
Gain or Loss on Disposal of Non-Current Assets & Investment Property	0	0	0	107	0	107	0	107
Total Expenditure	80,302	0	4,223	(2,669)	(3,549)	78,307	13,999	92,306
Surplus/Deficit on Provision of Services	22,044	0	5,700	(1,584)	0	26,160	(29,056)	(2,896)

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

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

2009/10 £000		2010/11 £000
22,044	Net expenditure in the directorate analysis	19,327
0	Add Services not included in the main analysis	0
5,700	Add amounts not reported to Management	(1,164)
(1,584)	Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(678)
26,160	Net Cost of Services in Comprehensive Income and Expenditure Statement	17,485

4.13 Trading Operations

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

(Surplus)/ Deficit 2009/10 £000	Activity	Gross Income 2010/11 £000	Gross Expenditure 2010/11 £000	(Surplus) / Deficit 2010/11 £000
11	Building Cleaning & Maintenance	(1,506)	1,587	81
57	Highways	(1,837)	1,861	24
(46)	Transport	(445)	402	(43)
(69)	Parking Patrols	(393)	351	(42)
0	Grounds	(220)	220	0
117	Other	(127)	176	49
70	Total Internal Trading	(4,528)	4,597	69
70	Total	(4,528)	4,597	69

4.14 Pooled Budgets

During 2002/03, the Council agreed with Eden District Council to form the Carlisle and Eden Crime and Disorder Reduction Partnership. The partnership was instigated under the Council's duties to reduce crime and disorder. The Council made a contribution in 2010/11 of £30,000 (2009/10: £30,000) to a pooled budget in this scheme, which is included in Cultural, Environmental, Regulatory and Planning Services in the Comprehensive Income and Expenditure Statement.

4.15 Agency Income and Expenditure

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

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

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

4.16 Members Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2010/11 are as follows:

2009/10 £000		2010/11 £000
240	Type of Allowance Basic Allowance	245
86	Special Responsibility Allowance	92
21	Conference/Other Allowances	21
347	Total	358

4.17 Officers' Remuneration

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

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

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

Remuneration Banding (incl Termination Payments)	Number of Employees			
	2010/11	Left During Year	2009/10	Left During Year
Between £50,000 and £54,999	2	0	5	2
Between £55,000 and £59,999	4	0	1	1
Between £60,000 and £64,999	1	1	2	2
Between £65,000 and £69,999	2	2	0	0
Between £70,000 and £74,999	3	2	0	0
Between £75,000 and £79,999	2	2	2	1
Between £80,000 and £84,999	1	1	0	0
Between £85,000 and £89,999	2	1	3	2
Between £90,000 and £94,999	0	0	0	0
Between £95,000 and £99,999	0	0	0	0
Between £100,000 and £104,999	0	0	0	0
Between £105,000 and £109,999	0	0	0	0
Between £110,000 and £114,999	1	0	1	0
Between £115,000 and £119,999	0	0	0	0
Between £120,000 and £124,999	0	0	0	0
Between £125,000 and £129,999	0	0	1	1
Between £130,000 and £134,999	0	0	1	1
Total Number of Employees (Including Senior Employees)	18	9	16	10

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

Post	Salaries, fees & allowances	Expenses allowance	Compensation for loss of employment	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension	Pension Contributions	Total Remuneration
2009/10 Comparative Figures	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	104	0	0	8	112	18	130
Strategic Director -Deputy Chief Exec (Deputy Chief Exec)	79	0	0	7	86	14	100
Strategic Director - started 1/3/10	5	0	0	0	5	1	6
Strategic Director - Interim appointment 23/11/09-3/3/10	21	0	0	0	21	0	21
Assistant Director Governance from 11/11/09	20	0	0	2	22	5	27
Assistant Director Economic Development from 3/2/10	8	0	0	0	8	1	9
Assistant Director Resources from 11/11/09	20	0	0	1	21	4	25
Director of Community Services (left 30/11/09)	46	0	36	5	87	177	264
Director of Legal & Democratic Services (left 30/11/09)	46	0	38	4	88	132	220
Director of Corporate Services (Left 16/12/09)	49	0	78	4	131	9	140
Director Renaissance	72	0	0	7	79	0	79
Head of Economy & Tourism (left 30/11/09) (Acting Director)	40	0	85	1	126	7	133
Head of Planning & Housing (left 30/11/09) (Acting Director)	40	0	33	2	75	95	170
Total	550	0	270	41	861	463	1,324

4.18 External Audit Costs

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

2009/10 £000		2010/11 £000
127	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116
8	Fees payable to the Audit Commission in respect of statutory inspection	7
37	Fees payable to the Audit Commission for the certification of grant claims and returns	39
1	Fees payable in respect of other services provided by the appointed auditor	1
173	Total	163

4.19 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

2009/10 £000		2010/11 £000
	Credited to Taxation and Non Specific Grant Income	
21	Play Areas Grant	168
20	Regeneration Improvements Grant	0
119	Hostel Replacement Grant	1,522
1,373	Ghyll Bank Gypsy Site Grant	0
1,518	Sub Regional Employment Sites	278
493	Chances Park Grant	210
50	Connect 2 Cycleway Grant	5
2	Planned Major Repairs Grant	20
131	Roman Gateway Grant	1,436
0	Tullie House Gallery Grant	40
0	City Play Trail Grant	31
32	Waste Minimisation Contribution	0
24	Chances Park Contribution	1
0	Play Areas Contribution	6
12	Eden Bridge Garden Restoration Contribution	0
14	Vehicle replacement Contribution	2
2	Hammonds CCTV Contribution	0
44	Lowry Hill Park Contribution	46
18	Small Scale Community Project Contribution	0
5	Raffles Multi Use Games Area Contribution	0
1	Trinity Church Multi Use Games Area Contribution	8
0	Connect 2 Cycleway Contribution	3
0	City Play Trail Contribution	5
3,879	Total	3,781
	Credited to Services	
1,102	Economic Regeneration	341
306	Hostels	306
114	Supporting Vulnerable People	78
25,136	Housing Benefit Subsidy	25,744
7,286	Council Tax Benefit	7,751
76	Benefits	16
504	Concessionary Fares	574
90	Roman Gateway	75
612	Arts	38
121	Free Swimming	40
0	Tullie House Hub Projects	550
429	Other Grants	711
3,133	Revenue Expenditure funded by Capital	2,721
38,909	Total	38,945

4.20 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.12 on reporting for resource allocation decisions. Grant receipts receivable at 31 March 2011 are shown in Note 4.19.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 4.16. All elected members of the Council were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2010/11. The response rate was 100%.

Eighteen Members declared an interest in Community Centres around the Carlisle area. The Council paid £339,900 to Community Centres during 2010/11.

	2010/11 £000
Down-a-gate Community Centre	8,300
Belah Community Centre	18,200
Botcherby Community Centre	24,300
Brampton Community Centre	39,600
Currock Community Centre	34,400
Denton Holme Community Centre	20,400
Greystone Community Centre	15,300
Harraby Community Centre	40,800
Longtown Community Centre	50,700
Morton Community Centre	53,600
Petteril Bank Community Centre	20,400
Yewdale Community Centre	13,900
Grants paid to Community Centres	339,900

Officers

During 2010/11 19 officers were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2010/11. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2010/11.

Other Public Bodies

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

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.22 to the Financial Statements. The balance owed to the Pension fund at 31 March, and shown as a creditor in the balance sheet was £255,305

4.21 Termination Benefits

The Council terminated the contracts of a number of employees during 2010/11, incurring liabilities of £1,216,378 (£1,775,000 in 2009/10). This total is payable to 19 officers from the Council who were made redundant as part of the Council's Transformation process.

4.22 Pension Costs

In 2010/11, the City Council paid an employer's contribution of £2,357,657 into the Cumbria County Council Pension Fund, representing 17.4% (2009/10: £2,560,046 and 17.4%) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2007 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2008. 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 2010/11 the value of these benefits amounted to £352,676 representing 2.6% of pensionable pay (2009/10 £2,066,272 and 8.07% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2009/10 £000		2010/11 £000
1,774	Current Service Cost	2,541
0	Past Service Cost / (Gain)	(7,698)
2,484	Curtailment Cost	297
(4,349)	Expected Return on Pension Assets	(5,561)
6,885	Pension Interest Costs	7,541
6,794	Total	(2,880)
(5,007)	Contributions paid to Pension Scheme	(2,942)
1,787	Contributions (to) / from Pension Reserve	(5,822)

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

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for the year 2010/11 is as follows: -

2009/10 £000		2010/11 £000
(307)	Preserved Right To Buy Sales	(172)
(105)	Other	(43)
(412)	Total	(215)

4.24 Building Control

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The following statement shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities:

2009/10				2010/11		
Charge-able £000	Non Charge-able £000	Total £000		Charge-able £000	Non Charge-able £000	Total £000
			Expenditure			
273	171	444	Employee Costs	275	223	498
0	0	0	Premises Expenses	0	1	1
19	9	28	Transport Expenses	18	9	27
16	13	29	Supplies & Services	16	22	38
5	0	5	Agency & Contracted Services	14	0	14
82	50	132	Central & Support Services	51	53	104
395	243	638	Total Expenditure	374	308	682
			Income			
(388)	0	(388)	Building Regulation Charges	(342)	0	(342)
(7)	(20)	(27)	Other Income	(28)	(13)	(41)
(395)	(20)	(415)	Total Income	(370)	(13)	(383)
0	223	223	(Surplus)/Deficit for the Year	4	295	299

4.25 Revenue Expenditure Funded from Capital Under Statute

Items of revenue expenditure funded from capital under statute, which are not financed by government grants, are written off to the Comprehensive Income and Expenditure Statement during the year. The value for 2010/11 is as follows: -

2009/10				2010/11		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
1,122	(1,122)	0	Disabled Facilities Grants	1,791	(1,769)	(22)
713	(713)	0	Highways Claimed Rights	830	(830)	0
1,198	(1,105)	(93)	Capitalised Redundancy Costs	191	0	(191)
85	(85)	0	Improvement Grants	476	0	(476)
109	(109)	0	Other	55	(35)	(20)
3,227	(3,134)	(93)	Total	3,343	(2,634)	(709)

4.26 Discontinued Operations

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

4.27 Downward Revaluations

During 2010/11 the value of Non-Current Assets that were revalued downward and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £2.912million. This was split between investment properties £2.486m and other items of Property, Plant and Equipment £425,998. Change in fair value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.9. Movements in other Property, Plant and Equipment were charged to Cost of Services in the Comprehensive Income and Expenditure Statement and are shown below.

2009/10		2010/11
£000		£000
116	Central Services to the Public	0
148	Cultural, Environmental, Regulatory & Planning Services	96
0	Highways and Transport Services	59
766	Other Housing Services	249
0	Corporate & Democratic Core	22
0	Non Distributed Costs	0
1,030	Total	426

4.28 Shared Services

During 2010/11 the Council began sharing services for ICT, Revenues and Benefits and Internal Audit. ICT began in April 2010 and is hosted by Allerdale Borough Council. Revenues and Benefits is hosted by Carlisle City Council and the partners are Copeland Borough Council and Allerdale Borough Council. The County Council is the host for the Internal Audit shared service with partners, Carlisle and Copeland. The costs and income associated with all shared services are shown in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

The Revenues and Benefits shared service is primarily a sharing of staff and IT systems. The commencement of the service began in October 2010. All other costs associated with the running of the services are held by each individual authority. Therefore, the total cost of the Shared Service from October 2010 was £1,613,060 and contributions were received from Copeland totalling £425,937 and Allerdale totalling £532,959.

The ICT shared service began in April 2010. The Council made contributions to Allerdale totalling £1,025,299 with expenditure incurred directly by Carlisle totalling £977,052.

For all shared services, each Authority has accounted for its contracted share of Income and expenditure and its share of any debtors and creditors on the balance sheet.

Balance Sheet

4.29 Property Plant and Equipment

Movements in 2010/11	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2010	201	37,960	13,865	2,924	3,250	531	685	59,416
Additions	0	1,938	934	33	293	2,325	0	5,523
Disposals	0	0	(56)	0	0	0	0	(56)
Reclassifications	0	0	0	0	16	(16)	0	0
Revaluations Taken to Revaluation Reserve	0	(1,070)	0	0	0	0	0	(1,070)
Revaluations Charged to Surplus/Deficit on Provision of Services 2010/11	0	(673)	0	0	0	0	0	(673)
Reverse Downward Revaluations Previously Charged to Surplus/Deficit on Provision of Service	0	0	0	0	0	0	0	0
Valuation as at 31 March 2011	201	38,155	14,743	2,957	3,559	2,840	685	63,140
Depreciation								
Accumulated Dep'n at 1 April 2010	(5)	(838)	(5,507)	(291)	0	0	0	(6,641)
Depreciation Charge to CIES 2010/11	(5)	(853)	(1,944)	(57)	0	0	0	(2,859)
Depreciation on Disposals	0	0	47	0	0	0	0	47
Depreciation w/out to Revaluation Reserve	0	654	0	0	0	0	0	654
Depreciation w/out to Surplus/Deficit on Provision of Services	0	247	0	0	0	0	0	247
Reval'n – W/Out Dep'n	0	0	0	0	0	0	0	0
Accumulated Dep'n at 31 March 2011	(10)	(790)	(7,404)	(348)	0	0	0	(8,552)
Impairments								
Accumulated Impairment 1 April 2010	0	0	(136)	0	0	0	0	(136)
Impairments Charge to Surplus/Deficit on Provision of Service 2010/11	0	0	0	0	0	0	0	0
Impairments (W/Out Dep'n)	0	0	0	0	0	0	0	0
Accumulated Impairments at 31 March 2011	0	0	(136)	0	0	0	0	(136)
Net Book Value at 31 March 2011	191	37,365	7,203	2,609	3,559	2,840	685	54,452
Net Book Value at 31 March 2010	196	37,122	8,222	2,633	3,250	531	685	52,639
Revaluation Summary								
Reval'n Gains	0	(1,070)	0	0	0	0	0	(1,070)
Reval'n – W/Out Dep'n	0	0	0	0	0	0	0	0
Total Revaluation	0	(1,070)	0	0	0	0	0	(1,070)
Nature of Asset holding								
Owned	191	37,365	7,203	2,609	3,559	2,840	685	54,452
Finance Lease	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	191	37,365	7,203	2,609	3,559	2,840	685	54,452
Historic Cost Valuation								
Net Book Value 31 March 2011	185	32,414	7,203	2,609	3,559	2,840	685	49,495
Net Book Value 31 March 2010	191	31,968	8,222	2,633	3,250	531	685	47,480

Comparative Movements in 2009/10	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2009	201	36,792	11,786	2,711	2,574	1,011	685	55,760
Additions	3	1,877	2,296	198	676	327	0	5,377
Disposals	0	(100)	(388)	0	0	0	0	(488)
Reclassifications	0	620	172	15	0	(807)	0	0
Revaluations Taken to Revaluation Reserve	(3)	(199)	0	0	0	0	0	(202)
Revaluations Charged to Surplus/Deficit on Provision of Service 2009/10	0	(1,115)	0	0	0	0	0	(1,115)
Reverse Downward Revaluations Previously Charged to Surplus/Deficit on Provision of Service	0	85	0	0	0	0	0	85
Valuation as at 31 March 2010	201	37,960	13,866	2,924	3,250	531	685	59,417
Depreciation								
Accumulated Dep'n at 1 April 2009	0	(103)	(4,181)	(238)	0	0	0	(4,522)
Depreciation Charge to CIES 2009/10	(5)	(836)	(1,670)	(53)	0	0	0	(2,564)
Depreciation on Disposals	0	99	343	0	0	0	0	442
Reval'n – W/Out Dep'n	0	2	0	0	0	0	0	2
Accumulated Dep'n at 31 March 2010	(5)	(838)	(5,508)	(291)	0	0	0	(6,642)
Impairments								
Accumulated Impairment 1 April 2009	0	0	(136)	0	0	0	0	(136)
Impairments Charge to Surplus/Deficit on Provision of Service 2009/10	0	0	0	0	0	0	0	0
Impairments (W/Out Dep'n)	0	0	0	0	0	0	0	0
Accumulated Impairments at 31 March 2010	0	0	(136)	0	0	0	0	(136)
Net Book Value at 31 March 2010	196	37,122	8,222	2,633	3,250	531	685	52,639
Net Book Value at 31 March 2009	201	36,689	7,469	2,473	2,574	1,011	685	51,102
Revaluation Summary								
Reval'n Gains	(3)	(199)	0	0	0	0	0	(202)
Reval'n – W/Out Dep'n	0	2	0	0	0	0	0	2
Total Revaluation	(3)	(197)	0	0	0	0	0	(200)
Nature of Asset holding								
Owned	196	37,122	8,222	2,633	3,250	531	685	52,639
Finance Lease	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	196	37,122	8,222	2,633	3,250	531	685	52,639
Historic Cost Valuation								
Net Book Value 31 March 2010	191	31,968	8,222	2,633	3,250	531	685	47,480
Net Book Value 31 March 2009	191	31,331	7,469	2,473	2,574	1,011	685	45,734

(a) Depreciation

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

Asset Category	Rate	Basis
Dwellings & Other Buildings	10 – 80 Years	Straight Line
Infrastructure Assets	40 – 80 Years	Straight Line
Vehicles, Plant, furniture & Equipment	3 – 25 Years	Straight Line
Intangible Assets	3 – 20 Years	Straight Line

(b) Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £2,847,000. Similar commitments at 31 March 2010 were £978,000. The major commitments are:

	£000
Improvement Grant Commitments	269
Community Resource & Training Centre	1,730
Roman Frontier	220
Willowholme Industrial Estate	246
Vehicle Replacement	138
Other Capital Commitments	244
	2,847

(c) Effects of Changes in Estimates

In 2010/11, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

4.30 Bases of Valuation

From 1 April 1994 all of the City Council's property, plant and equipment have been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in Note 4.0 (Statement of Accounting Policies).

Valuations are carried out via a rolling five-year revaluation programme with all assets being re-valued at intervals of not more than five years. Valuations for 2010/11 were carried out by R Simmons (Head of Property Services) ARICS.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets: -

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Equip & Plant* £000	Surplus £000
Valued at Historic Cost	0	25	0	0
Valued at Current Value in:				
2010/11	0	750	879	0
2009/10	201	1,350	2,469	0
2008/09	0	36,030	1,127	685
2007/08	0	0	3,097	0
2006/07	0	0	2,208	0
2005/06	0	0	2,693	0
2004/05	0	0	590	0
2003/04	0	0	764	0
2002/03	0	0	917	0
Total	201	38,155	14,744	685

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

Community Assets and infrastructure valued at historic cost are excluded from the above analysis.

31 March 2009	31 March 2010		31 March 2011
1	1	Civic Centre	1
15	15	Depots and Workshops	15
15	15	Off Street Car Parks	14
1	1	Leisure Centres	1
1	1	Swimming Pool	1
2	2	Museums	2
250ha	250ha	Parks & Recreation Grounds	250ha
1	1	Market Hall	1
3	3	Cemeteries	3
1	1	Crematorium	1
97	97	Industrial Units	97
12	12	Community Centres	12
8	8	Industrial Estates	8

4.31 Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. The Council has obligations for repairs & maintenance on some of its investment properties.

The Council does not classify any property interests held under operating leases as Investment Properties.

The fair value of Investment property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2010/11 were carried out by R Simmons (Property Services Manager) ARICS. These valuations were based on market conditions and

known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

2009/10 £000		2010/11 £000
90,711	Opening Balance of Investment Property	99,162
0	Additions due to acquisitions	0
1,575	Additions to existing assets	501
(172)	Disposals	(144)
0	Reclassifications	0
7,048	Net gains or losses from fair value adjustments	2,514
99,162	Closing Balance of Investment Property	102,033

4.32 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. All intangibles are amortised over a useful life of 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £38,000 charged to revenue in 2010/11 was charged to the relevant service heading.

2009/10 £000			2010/11 £000	
		Cost or Valuation		
108		Valuation at 1 April		192
84		Additions acquired separately		95
0		Disposals		0
0		Revaluations		0
	192	Valuation at 31 March		287
		Amortisation		
(10)		Accumulated amortisation at 1 April		(31)
(21)		Amortisation Charge for year		(38)
	(31)	Accumulated amortisation at 31 March		(69)
		Impairments		
0		Accumulated Impairment at 1 April		0
0		Impairment Charge for year		0
	0	Accumulated Impairment at 31 March		0
	161	Net Book Closing Value (31 March)		218
	98	Net Book Opening Value (1 April)		161

4.33 Financial Instruments

(a) Financial Liabilities held at Amortised Cost

2008/09		2009/10			2010/11	
Long Term £000	Current £000	Long Term £000	Current £000		Long Term £000	Current £000
15,000	26	15,000	2,541	Borrowing	15,000	482
147	4,594	273	4,642	Operational Creditors	1,149	5,320
15,147	4,620	15,273	7,183	Total	16,149	5,802

(b) Loans and Receivables held at Amortised Cost

2008/09		2009/10			2010/11	
Long Term £000	Current £000	Long Term £000	Current £000		Long Term £000	Current £000
1,053	25,706	1,022	21,210	Investments	2,002	18,162
0	4,443	91	4,119	Operational Debtors	77	3,864
23	0	26	0	Car Loans	19	0
0	1,514	0	115	Cash at Bank and Cash equivalents	0	1,306
332	0	296	0	Transferred Debt	264	0
1	0	0	0	Mortgages	0	0
1,409	31,663	1,435	25,444	Total	2,362	23,332

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

2008/09		2009/10			2010/11	
Debtors £000	Creditors £000	Debtors £000	Creditors £000		Debtors £000	Creditors £000
4,443	4,594	4,119	4,642	Value as per Note (a) & (b) above	3,864	5,320
23	0	26	0	Car Loans	19	0
2,502	796	3,829	962	Non-Contractual Items	1,847	2,259
6,968	5,390	7,974	5,604	Total per Balance Sheet	5,730	7,579

(d) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2010/11 relating to financial instruments are made up as follows:

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

Comparative information for financial year 2009/10 is as follows:

2009/10	Financial Liabilities (measured at Amortised Cost) £000	Financial Assets (Loans & Receivables) £000	Financial Assets (Available for Sale) £000	Total £000
Interest Paid	1,295	0	0	1,295
Impairment Losses	0	0	0	0
Interest Payable and Similar Charges	1,295	0	0	1,295
Interest Received	0	(844)	0	(844)
(Gains)/Losses on Derecognition*	0	0	0	0
Interest and Investment Income	0	(844)	0	(844)
Net (Gain)/Loss for year	1,295	(844)	0	451

(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 2011;
- early repayment or impairment is not recognised; and
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

31 March 2009		31 March 2010			31 March 2011	
Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
20,297	27,331	22,456	28,080	Financial Liabilities	21,951	27,551

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 2009		31 March 2010			31 March 2011	
Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
33,072	33,378	26,879	26,980	Loans & Receivables	25,694	25,741

The fair value is more than the carrying amount because the Council's investment portfolio includes a number of fixed rate investments where the interest receivable is more than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to the early repayment of the investments.

(f) Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **liquidity risk** – the possibility that the Council might not have funds available to meet its payment commitments; and
- **market risk** – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

The Council's annual treasury management strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written policies within its treasury management strategy covering interest rate risk, credit risk and the investment of surplus cash balances.

(g) Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with credit rated banks and other financial institutions unless they have a minimum credit rating of Short-term P1, Support C or equivalent (Based on Moody's Credit Ratings). Some investments are placed with Building Societies that do not have a formal credit rating. This policy is

dictated by the size of the Society (minimum £1billion Assets) and is grounded upon the strict regulatory regime with which all building societies must comply. The Council has a policy of not lending more than £4million of its surplus balances to any one institution with no more than 50% held as non-specified investments i.e. investments with a period to maturity of more than one year or placed with an institution without a formal credit rating.

The following analysis summarises the Council’s potential maximum credit risk exposure, based on the experience gathered over the last five financial years, on the level of default on loans and receivables and adjusted for current market conditions:

	Value at 31 March 2011 £000	% Default based on previous experience	% default adjusted for current market conditions	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	21,470	Nil	Nil	0
Gross Operational Debtors	4,079	1.12%	3.57%	146
				146

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

The Council does not generally allow credit to its customers, so £1.108million of the current value at 31 March 2011 of £4.079million is past its due date for payment. The aged-debt analysis of this sum is as follows:

	£000
Less than 3 months	1,045
3-5 months	20
More than 5 months	43
Total	1,108

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

2009/10 £000		2010/11 £000
121	Opening Balance	31
(3)	Write Offs in Year	(2)
(87)	(Decrease)/Increase to Provisions	109
31	Closing Balance	138

(h) Liquidity Risk

As the Council has ready access to borrowing from either the Public Works Loans Board, or from other financial institutions in the money market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The major risk facing the Council is that it will be bound to refinance nearly all of its borrowing in 2020, when interest rates may be less favourable than at present. However the current policy of the Council is not to refinance any of this debt at the moment due to the significant redemption premium it would be required to pay to the lender. This position will be reviewed as the loan moves nearer to maturity in the light of interest rates prevalent at the time. There are no other identified borrowing requirements in place at 31 March 2011.

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

	£000
Less than 1 year	482
1 - 2 years	0
2 - 5 years	0
Over 5 years	15,000
Total	15,482

(i) Market Risk

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

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

Borrowings and investments are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher and all other variables were held constant the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Surplus/Deficit on provision of services	0
Decrease in Fair Value of investments	(117)
Decrease in Fair Value of Borrowings	(1,338)

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 2010/11.

4.34 Inventories

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

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Total
2009/10 Comparative Figures	£000	£000	£000	£000
Balance outstanding at 1 April	132	52	27	211
Purchases	179	213	49	441
Recognised as an expense in the year	(192)	(216)	(26)	(434)
Written off balances	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0
Balance outstanding at 31 March	119	49	50	218

4.35 Construction Contracts

At 31 March 2011 the Council had no construction contracts in progress.

4.36 Short Term Debtors

2008/09 £000	2009/10 £000		2010/11 £000
1,906	4,119	Central Governemnt Bodies	1,369
4,439	1,182	Other Local Authorities	1,637
0	10	NHS Bodies	1
0	0	Public Corporations and trading funds	0
1,485	3,387	Bodies external to government	3,632
(862)	(724)	Bad debt provisions	(909)
6,968	7,974	Total	5,730

4.37 Cash and Cash Equivalents

2008/09 £000	2009/10 £000		2010/11 £000
914	115	Cash and Bank	574
0	0	Overnight Cash Deposits	0
600	0	Short Term Investments with maturity of less than 3 months	732
1,514	115	Total	1,306

4.38 Assets Held for Sale

2009/10 £000		2010/11 £000
530	Balance outstanding at 1 April	530
	Assets newly classified as held for sale:	
0	Property Plant and Equipment	0
0	Intangible Assets	0
0	Other Assets/liabilities in disposal groups	0
0	Revaluation losses	0
0	Revaluation Gains	0
0	Impairment Losses	0
	Assets declassified as held for sale:	
0	Property Plant and Equipment	0
0	Intangible Assets	0
0	Other Assets/liabilities in disposal groups	0
0	Assets Sold	0
0	Transfer from non-current to current	0
530	Balance outstanding at 31 March	530

4.39 Short and Long Term Creditors

2008/09 £000	2009/10 £000	Short Term Creditors	2010/11 £000
(869)	(981)	Central Government Bodies	(2,067)
(1,245)	(868)	Other Local Authorities	(1,605)
0	0	NHS Bodies	0
0	(33)	Public Corporations and trading funds	(40)
(3,200)	(3,656)	Other Entities and Individuals	(3,804)
(76)	(66)	Employee Benefits	(63)
(5,390)	(5,604)	Total	(7,579)

Long Term Creditors relate to Section 106 agreements received that will be payable after 12 months. These are funds that have been received as part of planning consents agreed by the Council for further amenity work and projects that will be ongoing as part of a development. The long term element of these amounts to £1,148,997 in 2010/11, £272,814 in 2009/10 and £147,929 in 2008/09.

4.40 Provisions

The movement in the level of provisions held by the Council during 2010/11 is as follows: -

	1 April 2009	1 April 2010	Received in year	Used in year	Unused Amounts reversed	31 March 2011
	£000	£000	£000	£000	£000	£000
Insurance Claims	263	250	432	0	(18)	664
Cemeteries Perpetuity Fund	86	86	0	(11)	0	75
Other Provisions	1,843	395	743	(769)	(30)	339
Total	2,192	731	1,175	(780)	(48)	1,078
Split as:						
Falling due within 1 year	1,874	406	1,266	(752)	(48)	872
Falling Due after 1 year	318	325	(91)	(28)	0	206

(i) Insurance Provision

The Council has established a provision totalling £664,168 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 2011 and the insurance provision will therefore cover this value in full. However it is expected that £186,499 will be reimbursed by the Council's insurers and through other third party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

(ii) Other Provisions

There are a number of other provisions that the Council has in place for liabilities of uncertain timing or amount. The largest of these relate to Tullie house Museum (£193,111) and the Cemeteries Perpetuity Fund (£74,787). The Tullie House Museum receives funding for projects through specific funding and the Museum, Archives and Libraries Council Hub Funding which is held as a provision until the exact spending decisions are made. This provision will transfer to the Tullie House Trust in 2011/12.

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

4.41 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.

2009/10 £000		2010/11 £000
5,430	Balance at 1 April	5,136
6	Upward Revaluation of Assets	40
(123)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(456)
(117)	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	(416)
(85)	Revaluation losses on Property, Plant and Equipment	0
(92)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(88)
0	Accumulatted gains on assets sold or scrapped	0
5,136	Balance at 31 March	4,632

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisitions, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation reserve was created to hold such gains.

Note 4.4 provides details of the source of all the transactions posted to the Account.

2009/10 £000		2010/11 £000
135,440	Balance at 1 April	143,059
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(3,592)	Charges for depreciation and impairment of non-current assets	(2,859)
85	Revaluation losses on Property, Plant and Equipment	(426)
(21)	Amortisation of Intangible Assets	(38)
(3,227)	Revenue Expenditure Funded from Capital under Statute	(3,343)
(302)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(153)
352	Capital expenditure financed from capital receipts	241
128,735		136,481
92	Adjusting Amounts written out of the Revaluation reserve	88
128,827	Net written out amount of the cost of non-current assets consumed in the year	136,569
	Capital Financing Applied in the year	
0	Use of Capital Receipts Reserve to finance new capital expenditure	0
6,991	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,415
22	Application of grants to capital financing from the Capital Grants Unapplied Account	22
76	Statutory provision for the financing of capital investment charged against the General Fund	184
0	Transfer of Capital receipt for reclassified assets (Finance to Operating Leases)	
95	Capital expenditure charged against the General Fund	211
7,184		6,832
7,048	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,514
143,059	Balance at 31 March	145,915

(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.

2009/10 £000		2010/11 £000
(27,467)	Balance at 1 April	(44,182)
(14,928)	Actuarial Gains or losses on pension assets and liabilities	8,355
(6,794)	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	2,880
5,007	Employer's pensions contributions and direct payments to pensioners payable in the year	2,942
(44,182)	Balance at 31 March	(30,005)

(d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
(40)	Balance at 1 April	5
45	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	38
5	Balance at 31 March	43

(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.

2009/10 £000		2010/11 £000
(76)	Balance at 1 April	(66)
76	Settlement or cancellation of accrual made at the end of the previous period	66
(66)	Amounts accrued at the end of the current year	(63)
10	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	3
(66)	Balance at 31 March	(63)

4.42 Capital Expenditure and Capital Financing

2009/10 £000		2010/11 £000
1,906	Opening Capital Financing Requirement	4,598
	Capital Expenditure	
5,377	Property, Plant and Equipment	5,523
1,574	Investment Properties	501
84	Intangible Assets	95
3,227	Revenue Expenditure funded from Capital Under Statute	3,343
10,262		9,462
	Sources of Finance	
(352)	Capital Receipts	(241)
(6,128)	Government Grants and Contributions	(5,214)
(170)	Revenue Provision (Including MRP)	(395)
(36)	Transferred Debt	(32)
(884)	Contributions from other bodies	(1,224)
(7,570)		(7,106)
4,598	Closing Capital Financing Requirement	6,954
	Explanation of Movements in year	
0	Increase in underlying need to borrow (supported by Government Finance Assistance)	0
2,692	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	2,356
0	Assets acquired under Finance Leases	0
0	Assets acquired under PFI/PPP contracts	0
2,692	Increase/(decrease) in Capital Financing Requirement	2,356

4.43 Grant Income

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2008/09 £000	2009/10 £000		2010/11 £000
		Capital Grants Receipts in Advance	
0	6	Group Repair	0
1,374	0	Low Harker Dene Gypsy & Traveler Site	0
7	0	Chances Park	0
11	11	ODPM Flood Alleviation Grant	1
22	566	Centre of Excellence Grant	174
0	94	Play Builder Grant	65
0	33	Trinity Church Multi Use Games Area Grant	49
0	0	Recycling Vehicle Contribution	100
0	0	Play Area Contributions	37
0	0	City Play Trail Grant	30
1,414	710	Total	456

4.44 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 2010/11 was £4.222m (£4.777m 2009/10). At 31 March 2011 the minimum lease payments under operating leases and contract hire agreements were as follows:

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

2009/10 Comparative Figures	Leased Cars £000	Property Leases £000	Other Leases £000	Total £000
Not later than 1 year	23	605	0	628
Later than 1 year and not later than 5 years	19	2,150	0	2,169
later than 5 years	0	41,336	0	41,336
Total	42	44,091	0	44,133

The capital value held within the balance sheet at 31 March 2011 in respect of land and property generating leasehold income is £102.033million. This figure represents the gross value of the Investment Properties and as these are non-operational fixed assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £2,371,432. (£2,899,432 2009/10).

(a) Operating Leases

Total operating lease rentals paid in 2010/11 amounted to £211,357. At 31 March 2011 the annual commitment under operating leases and contract hire agreements was as follows:

On Leases expiring:	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	6	0	6
Later than 1 year and not later than 5 years	29	18	47
Later than 5 years	0	113	113
Total	35	131	166

2009/10 Comparative figures On Leases expiring:	Leased Cars £000	Other Leases £000	Total £000
Not later than 1 year	15	0	15
Later than 1 year and not later than 5 years	46	18	64
Later than 5 years	0	100	100
Total	61	118	179

The Council sub-leases contract hire cars to staff. The total future subleases payments expected to be received under non cancellable subleases at 31 March 2011 was £46,000. There are no contingent rents associated with any of the leases.

(b) Finance Leases

The Council made no payments under finance leases during 2010/11 (None during 2009/10). At 31 March 2009, there was no outstanding liability under finance leases.

4.45 Disclosure of Net Pension Assets/Liabilities

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these will not become payable until relevant employees retire, the Council has a commitment to make the payments that should be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme as administered by Cumbria County Council. This is a funded scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Council's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather when the benefits are eventually paid as pensions. However, the charge that is made against council tax is based on the cash payable in the year, resulting in the real cost of providing retirement benefits being reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2010/11.

2008/09 £000	2009/10 £000		2010/11 £000
		Comprehensive Income and Expenditure Statement	
		<u>Net Cost of Services</u>	
2,627	1,774	Current Service Costs	2,541
0	0	Past Service Costs / (Gain)	(7,698)
306	2,484	Curtailment Cost	297
		<u>Surplus or Deficit on Provision of Services</u>	
7,039	6,885	Interest cost	7,541
(5,473)	(4,349)	Expected return on assets in the scheme	(5,561)
		<u>Other Comprehensive Income and Expenditure</u>	
2,759	14,928	Actuarial Gains and Losses	(8,355)
7,258	21,722	Net Charge to the Comprehensive Income & Expenditure Statement	(11,235)
		Movement in Reserves Statement	
4,499	6,794	Reversal of net charge made for retirement benefits in accordance with IAS 19	(2,880)
(2,715)	(5,007)	Actual amount charged against the General Fund Balance for pensions in the year	(2,942)
1,784	1,787	Contribution (to) / from Pension Reserve	(5,822)

The Cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure is a £10,097,000 loss.

(a) Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
115,724	98,203	Benefit Obligation at beginning of period (1 April)	135,654
2,627	1,774	Current Service Cost	2,541
7,039	6,885	Interest Cost	7,541
898	929	Member Contributions	883
0	0	Past Service Cost	(7,698)
(24,195)	30,549	Actuarial (gains)/losses on liabilities	(9,646)
306	2,484	Curtailments	297
(4,196)	(5,170)	Benefits/transfers paid	(5,414)
98,203	135,654	Benefit Obligation at end of period (31 March)	124,158

Reconciliation of Fair Value of the scheme assets:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
87,282	70,736	Fair Value of plan assets at beginning of period (1 April)	91,472
5,473	4,349	Expected return on plan assets	5,561
(21,436)	15,621	Actuarial gains/(losses) on assets	(1,291)
2,715	5,007	Employer Contributions	2,942
898	929	Member Contributions	883
(4,196)	(5,170)	Benefits/transfers paid	(5,414)
70,736	91,472	Fair Value of plan assets at end of period (31 March)	94,153

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 £7,018,000 (2009/10: a gain of £19,970,000).

(b) Scheme History

	2005/06*	2006/07*	2007/08	2008/09	2009/10	2010/11
	£	£	£	£	£	£
Present value of liabilities	104,351	104,497	115,724	98,203	135,654	124,158
Fair Value of assets	83,428	88,631	87,282	70,736	91,472	94,153
(Surplus)/Deficit in the scheme	20,923	15,866	28,442	27,467	44,182	30,005

The liabilities show the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £30.005 million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains healthy. The deficit on the local government pension scheme will be made good by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £2.507 million.

(c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council's liabilities within the Cumbria County Council Pension Fund have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations are:

2008/09	2009/10		2010/11
		Long-term expected rate of return on assets in the scheme:	
7.50%	7.50%	Equity investments	7.50%
4.00%	4.50%	Government Bonds	4.40%
6.00%	5.20%	Other Bonds	5.10%
6.50%	6.50%	Property	6.50%
0.50%	0.50%	Cash/Liquidity	0.50%
7.50%	7.50%	Other	7.50%
		Mortality assumptions:	
		Longevity at 65 for current pensioners:	
21.20	21.20	Men	21.80
24.00	24.10	Women	24.40
		Longevity at 65 for future pensioners:	
22.20	22.20	Men	23.20
25.00	25.00	Women	26.00
3.30%	3.30%	Rate of Inflation	3.40%
5.05%	5.05%	Rate of Increase in Salaries	4.65%
3.30%	3.30%	Rate of increase in Pensions	2.90%
50.00%	50.00%	Proportion of employees opting to take a commuted lump sum	50.00%
7.10%	5.60%	Rate of discounting Scheme Liabilities	5.50%

Assets in the County Council Pension Fund are valued at fair value, mainly market value for investments, and consist of the following categories by proportion:

2008/09		2009/10			2010/11	
%	Expected Return	%	Expected Return		%	Expected Return
49.7	7.50%	53.1	7.50%	Equity Investments	51.6	7.50%
20.5	4.00%	20.4	4.50%	Government Bonds	18.0	4.40%
8.9	6.00%	9.8	5.20%	Bonds	14.0	5.10%
6.3	6.50%	5.8	6.50%	Property	6.1	6.50%
2.3	0.50%	2.3	0.50%	Cash/Liquidity	1.6	0.50%
12.3	7.50%	8.6	7.50%	Other Assets	8.7	7.50%
100.0		100.0			100.0	

(d) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2011.

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%	%
Differences between expected and actual return on assets	12.70	0.50	7.40	30.30	17.10	1.40
Experience gains and losses on liabilities	1.70	0.00	0.70	0.00	0.00	3.90

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

2008/09 £000	2009/10 £000		2010/11 £000
(28,442)	(27,467)	Net Pension Liability at 1 April	(44,182)
		Movements in year:	
(2,627)	(1,774)	Current Service Cost	(2,541)
2,715	5,007	Employers Contributions payable to the scheme	2,942
(306)	(2,484)	Past Service Costs/Curtailment Costs	7,401
(7,039)	(6,885)	Interest Cost	(7,541)
5,473	4,349	Expected Return on assets in the scheme	5,561
2,759	(14,928)	Actuarial Gains / (Losses)	8,355
(27,467)	(44,182)	Net Pension Liability at 31 March	(30,005)

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Carlisle City Council's liabilities in Cumbria Pension Fund by £7,698,000 and has been recognised as a past service gain in accordance with guidance set out in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

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

4.46 Trust Funds

The City Council holds the accumulated balances of a number of bequests for which it is the sole trustee. The transactions and balances for these bequests are included in the movement of provisions in the Council's financial statements.

Bequest	Purpose	2010/11	2010/11	Assets at 31	Liabilities at
		Income	Expenditure	March 2011	31 March
		£	£	£	2011
					£
Richard Sewell	Established in 1920 to purchase items of interest for Tullie House Museum	1	0	443	0
EB Burton	Established in 1955 to purchase books for the Jackson Library	1	0	186	0
James Walter Brown	Established in 1930 to purchase books, pictures, maps and plans for the Jackson Library	2	0	610	0
Parker	Established in 1954 to benefit disabled children and other young residents of the city	2	0	1,329	0
District Nurses Amenity Fund	Established to provide amenities for nurses' homes and retirement allowances to nurses	8	0	7,123	0
Total		14	0	9,691	0

The Council also holds balances for two other charities, which it administers on behalf of the trustees. The transactions and balances for these charities are excluded from the Council's financial statements. These balances are: -

Charity	Purpose	2010/11 Income £	2010/11 Expenditure £	Assets at 31 March 2011 £	Liabilities at 31 March 2011 £
Mary Hannah Almshouses	Registered Housing Association	19,570	15,713	305,797	8,353
Carlisle Educational Charity	To provide grants to students	9,813	7,681	212,920	0
Total		29,383	23,394	518,717	8,353

4.47 Contingent Assets

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

At 31 March 2011 £171,607 (31 March 2010 £306,580) 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 2010/11 accounts and has been reflected in the total for capital receipts received in the year. Under the terms of the transfer the City Council will receive an agreed proportion of PRTB receipts for the first 15 years of the contract.

4.48 Contingent Liabilities

(a) **Home Housing Association**

During 1992/93 the City Council entered into a joint scheme with Home Housing Association to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton to provide houses to rent. To fund the development programme, Home Housing Association have raised a total of £100million through a stock issue, which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors all participating authorities, of which there were 29 in total, were required to enter into a standard form of guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association. The maximum liability of each authority under the guarantee is £100million but because the liability is jointly and severally guaranteed, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the stock issue under their individual guarantee. Accordingly there is a counter indemnity and contribution arrangement whereby each participating authority undertakes to reimburse any other authority, or authorities, paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the guarantee were called in, the worst situation for this Council would be that once it had recovered any contribution from other authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 31 March 2011 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on.

(b) **Municipal Mutual Insurance Ltd. (MMI)**

The Council may still have a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. The liabilities of MMI Ltd. were not, however, transferred to Zurich Municipal

and the company is exploring ways in which these liabilities can be transferred to another insurance company to enable MMI Ltd. to be wound up. MMI Ltd. did not make a claim in 2010/11 in respect of this potential liability. At 31 March 2011 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £874,000. The directors of the company do, however, envisage a solvent 'run-off' when MMI Ltd is finally wound up, at which point all outstanding liabilities would be fully discharged.

(c) Riverside (Formerly Carlisle Housing Association (CHA))

On 9 December 2002 the City Council completed the transfer of its housing stock to Riverside. Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non-environmental warranties in favour of Riverside and lenders to the Association for periods of 25 years and 18 years respectively. The Council has insurance cover in place to meet the cost of claims arising from any breach of the environmental warranties in the first 12 years following the date of transfer. An earmarked reserve to the value of £488,000 has also been set up to meet the future cost of insurance premiums in years 13 to 25 (£292,000) and the potential costs of any future claims (£196,000). In the period from the date of the transfer to 31 March 2011, the Council has not received any claims in respect of either environmental or non-environmental warranties.

4.49 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director (Resources) on 26 September 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Tullie House Museum was transferred to a charitable Trust status on 5 May 2011. The Council will provide core grant funding and has transferred the Routledge reserve, as well as the Sewell, Burton and Brown bequests held in Provisions. These total £43,931.52. This transfer had no impact on the Council's position as at 31 March 2011 so no adjustments are required to the accounts as presented.

4.50 Authorisation for Issue

The Statement of Accounts were authorised for issue on 26 September 2011 by the Assistant Director (Resources), Peter Mason CPFA. This is the date up to which post balance sheet events have been considered.

Cash-Flow Statement

4.51 Cash Flow Statement – Operating Activities

2009/10 £000		2010/11 £000
(2,896)	(Surplus) / Deficit on the Provision of Services	(6,469)
	Adjustments to the net surplus or deficit on the provision of services for non cash movements	
(3,613)	Depreciation and downward revaluation charges	(3,323)
7,048	Movement in Fair Value of Investment Properties	2,514
352	Carrying amount of non current assets sold	241
(1,787)	Pension (IAS 19)	5,822
0	Increase in impairment provision for bad debts	0
7	Increase/(decrease) in stocks	(39)
(1,601)	Increase/(decrease) in debtors	(285)
617	(Increase)/decrease in creditors	(2,456)
(531)	Other non-cash items charged to net surplus/deficit on provision of services	(66)
492		2,408
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
0	Purchase of short term and long term investments	0
0	Proceeds from short term and long term investments	0
(302)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(153)
3,879	Capital Grants charged to Comprehensive Income and Expenditure	3,797
3,577		3,644
1,173	Net Cash Flow from Operating Activities	(417)
	Shown within Net Cash Flow from Operating Activities	
1,295	Interest Payable	1,302
(1,943)	Interest Receivable	(497)
(648)		805

4.52 Cash Flow Statement – Investing and Financing Activities

2009/10 £000		2010/11 £000
	Investing Activities	
6,609	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	5,381
41,500	Purchase of Short Term and Long Term Investments	30,000
19	Other Payments for Investing Activities	9
(356)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,166)
(45,500)	Proceeds from Short Term and Long Term Investments	(32,000)
(2,439)	Other Receipts from Investing Activities	(2,770)
(167)	Net Cash Flows from Investing Activities	(546)
	Financing Activities	
(2,000)	Cash Receipts of short and long term borrowing	0
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liability relating to a finance lease	0
15	Repayments of short and long term borrowing	2,057
2,378	Other payments for financing activities	(2,285)
393	Net Cash Flows from financing Activities	(228)

4.53 Transition to IFRS Reporting Requirement

Carlisle City Council has produced financial statements in line with the IFRS based Code of Practice on Local Authority Accounting from 1 April 2010 and its first full set of financial statements are for the year ending 31 March 2011. For the 2010/11 financial statements, the Code requires full restatement of comparative information for the year ended 31 March 2010. The Code also requires that the Opening Balance Sheet as at 1 April 2009 is presented. The Following table shows the changes to the Councils Balance Sheet resulting from the transition to IFRS at 1 April 2009 and 31 March 2010.

(a) The Reconciliation of the Balance Sheet Transition from GAAP to IFRS

	Note	01 April 2009			31 March 2010		
		GAAP	Effect on transition to IFRS	IFRS	GAAP	Effect on transition to IFRS	IFRS
		£000	£000	£000	£000	£000	£000
Property, Plant and Equipment		50,417	0	50,417	51,954	0	51,954
Surplus Assets	i	13,198	(12,513)	685	20,632	(19,947)	685
Investment Property	v	79,106	11,605	90,711	80,123	19,039	99,162
Intangible Assets		98	0	98	161	0	161
Long Term Investments		1,053	0	1,053	1,022	0	1,022
Long Term Debtors		333	0	333	387	0	387
Long Term Assets		144,205	(908)	143,297	154,279	(908)	153,371
Cash and Cash Equivalents	ii	914	600	1,514	115	0	115
Short Term Investments	ii	26,306	(600)	25,706	21,210	0	21,210
Assets Held for Sale	i	0	530	530	0	530	530
Stocks & Work in Progress		211	0	211	218	0	218
Short Term Debtors		6,968	0	6,968	7,974	0	7,974
Payments in Advance		248	0	248	307	0	307
Current Assets		34,647	530	35,177	29,824	530	30,354
Short Term Creditors	iii,iv	(5,314)	(76)	(5,390)	(5,538)	(66)	(5,604)
Short Term Borrowing		(26)	0	(26)	(2,541)	0	(2,541)
Capital Grant Receipt in Advance		0	(1,414)	(1,414)	0	(710)	(710)
Provisions		(1,874)	0	(1,874)	(406)	0	(406)
Receipts in Advance		(1,426)	0	(1,426)	(1,951)	0	(1,951)
Current Liabilities		(8,640)	(1,490)	(10,130)	(10,436)	(776)	(11,212)
Long Term Borrowing	iv	(15,530)	0	(15,530)	(15,000)	0	(15,000)
Long Term Creditors		(147)	0	(147)	(273)	0	(273)
Provisions		(318)	0	(318)	(325)	0	(325)
Deferred Government Grant		(9,344)	9,344	0	(11,423)	11,423	0
Capital Grants Unapplied		(1,487)	1,487	0	(783)	783	0
Pension Liability		(27,467)	0	(27,467)	(44,182)	0	(44,182)
Long Term Liabilities		(54,293)	10,831	(43,462)	(71,986)	12,206	(59,780)
Net Assets		115,919	8,963	124,882	101,681	11,052	112,733
General Fund	iii	3,800	0	3,800	3,800	0	3,800
General Reserves		7,702	0	7,702	4,888	0	4,888
Deferred Capital Receipts		20	0	20	20	0	20
Usable Reserves		11,522	0	11,522	8,708	0	8,708
Revaluation Reserve		16,396	(10,966)	5,430	23,395	(18,259)	5,136
Collection Fund Adjustment		(40)	0	(40)	5	0	5
Employee Benefit Reserve		0	(76)	(76)	0	(66)	(66)
Capital Grant Unapplied		0	73	73	0	73	73
Capital Adjustment Account	iv	115,508	19,932	135,440	113,755	29,304	143,059
Pension Reserve	iv	(27,467)	0	(27,467)	(44,182)	0	(44,182)
Unusable Reserves		104,397	8,963	113,360	92,973	11,052	104,025
Total Reserves		115,919	8,963	124,882	101,681	11,052	112,733

Explanatory notes- Reconciliation of the Balance Sheet**(i) Reclassification of surplus assets**

The Council previously classified a number of fixed assets as surplus assets. Under the Code there are strict definitions that apply for assets to be classified as Current Assets Held for Sale. At 1 April 2009 of the £13.198 million of fixed assets previously classified as surplus, only two fulfil the criteria as set out by the Code, totalling £685,000. The remaining £12.513 million have been reclassified as investment property.

(ii) Cash and cash equivalents and investments

Those deposits with maturities of less than three months have been reclassified from investments to cash and cash equivalents. At 1 April 2009 this only related to a £600,000 overnight deposit that was previously classified as an investment.

(iii) Employee liabilities

Previously the Council did not recognise annual leave or flexible working hours that were owing to employees in the year end financial statements. The Code now requires the Council to recognise a liability for these entitlements in the financial statements. At 1 April 2009 these accruals were valued at £76,000.

(iv) Classification of leases

The Council acts as the lessor for a large number of leases that were previously classified as operating leases. Under the Code leases are required to be split between a land and buildings element before being classified as either an operating or finance lease. The criteria for each type of lease have also changed slightly under the Code and this has led to a number of operating leases being reclassified as finance leases.

Under the Code any property that is held under an operating lease, but is held as an investment property must be treated as a finance lease.

(v) Investment property revaluation

The SORP required investment property revaluations to be adjusted through the revaluation reserve. The Code requires changes to fair value to be taken to the surplus or deficit on the provision of services (and then be reversed out through the Capital Adjustment Account).

(b) The Reconciliation of the Comprehensive Income Expenditure Statement from GAAP to IFRS

	Note	2009/10		
		Net £000	Effect on transition to IFRS £000	IFRS £000
Central Services to the Public		1,339	294	1,633
Cultural, Environmental, Regulatory & Planning Services		13,273	1,966	15,239
Highways & Transport Services		2,422	(2)	2,420
Other Housing Services		1,365	764	2,129
Corporate & Democratic Core		3,503	2	3,505
Non Distributed Costs		1,234	0	1,234
Cost of Services		23,136	3,024	26,160
(Gains)/Losses on Sale of Fixed Assets		(157)	(255)	(412)
Precepts paid to Parish Councils		425	0	425
Other Operating Expenditure		268	(255)	13
Interest Payable		1,295	0	1,295
Interest & Investment Income		(844)	0	(844)
Income, expenditure, depreciation and impairment of investment property		0	(10,817)	(10,817)
(Surplus) / Deficit from Trading Undertakings & Other Operations		(2,475)	2,545	70
Pension Interest Cost and Expected Return on Pension Assets		2,536	0	2,536
Financing and Investment Income and Expenditure		512	(8,272)	(7,760)
Surplus or Deficit of Discontinued Operations		(7)	0	(7)
Recognised Capital Grants		0	(3,879)	(3,879)
Income from Council Tax		(6,960)	0	(6,960)
Revenue Support Grant		(1,936)	0	(1,936)
General Grants		(142)	0	(142)
National Non Domestic Rate Pool		(8,385)	0	(8,385)
Taxation and Non-Specific Grant Income		(17,423)	(3,879)	(21,302)
Surplus or Deficit on Provision of Services		6,486	(9,382)	(2,896)
Surplus or Deficit on Revaluation of Fixed Assets		(7,176)	7,293	117
Other gains or losses		0	0	0
Actuarial Gains / Losses on Pension assets / liabilities		14,928	0	14,928
Other Comprehensive Income & Expenditure		7,752	7,293	15,045
Total Comprehensive Income & Expenditure				12,149

Explanatory Notes – Reconciliation of surplus

(i) Employee liabilities

Previously the Council did not recognise annual leave or flexible working hours that were owing to employees in the year end financial statements. The Code now requires the Council to recognise a liability for these entitlements in the financial statements.

(ii) Items previously shown in the Statement Total Recognised Gains and Losses

The items in Other Comprehensive Income and Expenditure were previously shown in the STRGL under the SORP.

(iii) Investment Property Income and Expenditure

Investment Property income and expenditure was previously shown in the net cost of services, under the Code this is shown under financing and investment income and expenditure.

SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

5.1 The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009/10 £000		Note	2010/11	
			£000	£000
	Income			
45,948	Council Tax		47,011	
34,449	Income from Business Ratepayers	5.2(c)	35,091	
6,854	Income from the General Fund - Council Tax Benefits		7,163	
87,251	Total Income			89,265
	Expenditure			
	Precepts and Demands	5.2(d)		
39,021	Cumbria County Council		40,097	
6,445	Cumbria Police Authority		6,693	
6,899	Carlisle City Council		7,110	
52,365				53,900
	Business Rates			
34,266	Payments to National Pool		34,908	
183	Allowance for cost of NNDR collection		183	
34,449				35,091
	Bad and Doubtful Debts - Council Tax			
(57)	Write offs		(72)	
169	Provisions		60	
112				(12)
	Contribution:			
(17)	Adjustment of Previous Years' Collection Fund Surplus			(3)
342	Movement on Fund Balance			289
87,251	Total Expenditure			89,265
	Collection Fund Balance			
(302)	Fund Balance at 1 April			40
342	Surplus/(Deficit) for Year			289
40	Fund Balance at 31 March			329

On the basis that surpluses and deficits are shared with the County Council and the Police Authority, the Council has accounted for the Collection Fund balance in its 2010/11 Statement of Accounts as follows:

- The £327,959 surplus is accounted for in line with the Code of Practice 2010 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £43,303 Carlisle share of the surplus is shown as a balance on the Collection Fund adjustment Account. The £244,302 share is attributable to the County Council and the £40,354 attributable to the Police Authority is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

5.2 Notes to the Collection Fund

(a) General

The Collection Fund was established under the Local Government Finance Act 1988 and amended under the Local Government Finance Act 1992 with the introduction of council tax in April 1993. The Fund records the collection and distribution of amounts due for council tax and non-domestic rates. The balance on the Fund is included in the Council's Balance Sheet.

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

The surplus on the Fund at 31 March 2011 was £327,959.

(b) Council Tax base calculation

The council tax base set for 2010/11, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	48.00	5/9	26.68
A	18,387.00	6/9	12,257.99
B	9,861.25	7/9	7,669.87
C	6,387.50	8/9	5,677.76
D	4,581.75	9/9	4,581.75
E	2,291.75	11/9	2,801.03
F	907.50	13/9	1,310.81
G	306.75	15/9	511.29
H	18.75	18/9	37.50
	42,790.25		34,874.68
Second Homes	159.56		159.56
Relevant Amount	42,949.81		35,034.24
Estimated Collection Rate			98.50%
Council Tax Base = Relevant Amount (Band D Equivalent) x Collection Rate			34,508.73

(c) Income from Business Ratepayers

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (48.5p in 2009/10 and 41.4p in 2010/11), and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their business premises by this annual rate. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR Pool administered by the Government. The Government then redistributes the sums paid into the Pool back to Local Authorities on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £35.091 million was based on a total rateable value for the Council's area of £103,570,492 for the year (£83,618,437 in 2009/10). The Council received £9,056,663 from the NNDR Pool in 2010/11, which is credited directly to the Comprehensive Income and Expenditure Statement.

(d) Billing and Precepting Authorities

Carlisle City Council is the billing authority for council tax and NNDR bills and therefore collects all the income due for the year. The Council pays over to Cumbria County Council and Cumbria Police Authority amounts they have requested to provide their services in the Council area. These sums are known as precepts and for 2010/11 the values were: -

2009/10 £		2010/11 £
6,899,106	Carlisle City Council	7,109,726
39,020,633	Cumbria County Council	40,096,727
6,444,794	Cumbria Police Authority	6,693,353

Included in the amount for the City Council is a precept of £434,710 (2009/10 £424,808 which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

SECTION 6 – ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Carlisle City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/Solace Framework '*Delivering Good Governance in Local Government*'. A copy of the code can be obtained from the Assistant Director (Resources).

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

The Governance Framework

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the draft Corporate Plan which is then debated and agreed by full Council. This vision is then communicated through the Corporate Plan itself, and the Summary Corporate Plan which is a working document for staff and members. An annual report will communicate the outcomes and performance of the plan to

residents with the end of year performance report presenting the key outcomes to the Executive and Overview & Scrutiny Panels.

The Council's vision – implications for governance arrangements

The Corporate Plan is periodically reviewed with Members to ensure that the vision and priorities are still relevant and constant with Members' aspirations. Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with corporate priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

Measuring the quality of service for users

The Council's performance management framework ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels and media such as the Carlisle Focus surveys (User and resident). The Council has reached the 'achieving' level of the Equality Framework for Local Government. This external assessment has provided the Council with a detailed report identifying good practice and areas for further improvement and these recommendations have been incorporated into our equality action plan. The impact of key decisions are recorded in each of the Executive papers ensuring that impact assessments form part of all of the Council's key decisions.

Performance in services for customers was monitored through management information indicators, highlighting the short and medium terms trends and reported corporately to the Senior Management Team. Progress against corporate plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels.

During 2009/10 and 2010/11 the Council entered into shared service arrangements in respect of ICT, Revenue and Benefits and Internal Audit. These arrangements sought to deliver financial savings to the Council whilst also improving the resilience in the services being provided and improving and maintaining services to the public. All of the Shared Services are underpinned by sound, documented governance arrangements which encapsulate the agreements between the participating Councils.

Roles and Responsibilities

The City Council comprises 52 elected Members and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. During the course of the last year, after public consultation, the Council chose to implement the "strong Leader" model authorised by the legislation, whereby the Council appoints the Leader for a four year period, who then nominates his Executive Portfolio Holders and decides the scope of their briefs and the extent of delegated powers to each.

Currently, the Executive comprises the Leader and five Executive Members (prior to May there were six), one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Forward Plan of key decisions to be considered by the Executive over the coming four months.

The Leader has set out the powers and responsibilities that he has delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that he reviews at least annually but usually more frequently in practice. Any amended Scheme

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

Importantly, during the course of the year, the Council has reviewed its Budget and Policy Framework. Previously, the Council had over 80 'policies' reserved to it (i.e. the Council had to make any decision relating thereto). The review reduced this number to 11 policies being reserved to Council. The change means that decisions are able to be taken in a more clear and transparent manner and, from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the extensive delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure which changed substantially in 2009/10 as part of the transformation process, and which now comprise a Chief Executive, a Deputy Chief Executive, a Strategic Director and five Assistant Directors.

The Chief Executive, Deputy Chief Executive and all Directors comprise the Senior Management Team (SMT) which meets on a fortnightly basis, to discuss corporate issues.

Codes of Conduct and Standards

The Council has formally adopted the statutory Code of Conduct for its elected Members, without modification. It forms part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc) as part of their Declaration of Acceptance of Office when elected.

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 currently comprises twelve Members and has an independent Chair. 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. 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.

Although there is no National Officer Code of Conduct available, the Council, during 2010/11, prepared and adopted its own Code of Officer Conduct. Following a consultation period, the code was formally approved by Members on 14th September 2010 and now forms part of the Constitution. There is also a formal Induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as Counter Fraud measures, Money Laundering, Whistleblowing, Procurement & Contracts and Budgetary Control issues. This forms part of the Council's training programme which is considered and agreed by the Members' Learning and Development Group.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend and virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. The Contract Procedure Rules were significantly changed during 2010/11 to reflect changes in procurement regulations and particularly electronic procurement and the use of framework agreements. These changes were adopted in October 2010, and as a result the Procurement and Commissioning Strategy was amended in early 2011.

In terms of risk assessment, this is overseen in the Council by a formal Risk Management Group made up of relevant officers and the Portfolio Holder for Governance and Resources. A representative from Marsh Ltd – the Council's Insurance Brokers/Advisers - also attends on an ad-hoc basis. The Group oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through the management monitoring function of Covalent, the Council's performance management system.

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the *'Role of the Chief Finance Officer in Local Government'* and during 2010/11 the Council complied with 5 key principles of the CIPFA statement.

The Assistant Director (Resources) is the Council's Chief Financial Officer, is an experienced, qualified accountant and is a key member of both SMT and JMT and as such, has direct access to the Chief Executive. He leads and directs an adequately resourced, fit for purpose, finance function, comprising of 18 officers, who support him in the proper administration of the Council's financial affairs.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of

Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the Joint Management Team which consists of the Executive Members and SMT. The MTFP for 2012/13 to 2016/17 will be presented to Executive, ROSP and Council between July and September 2011.

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

The annual Statement of Accounts has been produced to statutory deadlines and year-end actual results are reported against budgets. The summary revenue position is shown within the explanatory foreword, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, ROSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and (International) Financial Reporting Standards.

Audit Committee

As a means of ensuring best practice, the Council has established an Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's *"Audit Committees – Practical Guidance for Local Authorities"*. This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

Ensuring Compliance with Relevant Laws

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from both the Assistant Directors of Governance and Resources who are the Monitoring Officer and Chief Finance Officer respectively. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis.

Whistle blowing and complaints

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

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter.

The Council has a Confidential Reporting Policy that is available to all members of staff on the Intranet.

Identifying the development needs of Members and senior officers

The Council has a formal team appraisal scheme, which is mandatory for all officers, including all senior managers. It is carried out each year and forms part of the review of the Corporate Plan. Team appraisals are recorded in the performance management system and the number of completed appraisals is reported as management information. There is routine monitoring of compliance by SMT along with an annual report to Members of the Resources Overview and Scrutiny Panel which includes the key findings of the annual Employee Opinion Survey.

During 2010/11 Members had their equivalent of the appraisal scheme known as a Personal Development Review, again a formal scheme within a Framework approved by Council. However a revised framework for Member Learning and Development has recently been approved by Council (April 2011) which includes provision to implement a Member/Leader Annual Review to replace the Personal Development 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.

Clear channels of communication

The City Council has recently revised its Communication Policy and Consultation Policy that clearly set out its commitment to high quality, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local peoples' involvement in the design and delivery of more responsive local services. The Council works closely with local groups representing those that are in a minority in our local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met.

Good governance in respect of Partnerships

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/ implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust managing arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of

partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

Appendix E of the Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A Flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Resources Overview and Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, the results of which form part of the proposed annual summary reporting on partnership working arrangements. This reporting is co-ordinated by Financial Services and is considered by SMT and Executive.

Review of Effectiveness

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

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

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Assistant Director (Resources) (the Council's Chief Financial Officer) and the Assistant Director (Governance) – the latter also being the Council's

Monitoring Officer. The aforementioned Assistant Directors also oversee the reports considered by the Council’s Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported quarterly to Members.

In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Audit Service Manager reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Audit Service Manager also presents an annual report that includes a statement of assurance relating to the Council’s overall standard of internal control.

A full review of the Council’s Code of Corporate Governance has been undertaken and all of the requirements outlined in the CIPFA/SOLACE document “Delivering Good Governance in Local Government” have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

During the 2009/10 audit process a formal objection was received by the External Auditor in respect of the Council’s decision to contest a judicial review of a decision to grant planning permission for the redevelopment of Carlisle Airport. The District Auditor has concluded her review of the issues raised by the objector, and her report was considered by full Council on 13th September 2011. The report contained 10 recommendations mainly in relation to the Council’s planning application processes.

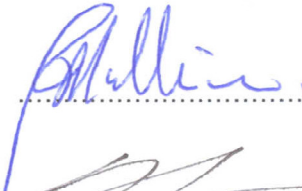
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place and is shown below.

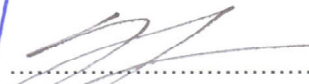
Issue Identified	Target Date
<p>An objection was received in respect of Carlisle Airport during the 2009/10 audit process. In September 2011 the District Auditor completed a review of the planning application process and judicial review decision in respect of Carlisle Airport. Significant weaknesses have been identified mainly in relation to:</p> <ul style="list-style-type: none"> • Separation and transparency of the Council’s planning and economic development responsibilities; • provision of adequate training for relevant Members; • receipt of appropriate and timely advice to support the decision making process <p>The 10 recommendations contained within the report have been accepted by the Council and an action plan developed which will be reported to and closely monitored by the Audit Committee during 2011/12.</p>	<p>January 2012</p>


Significant Governance Issues

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

Signed on behalf of Carlisle City Council

.....Leader (Deputy)*

.....Acting Chief Executive

.....Chief Financial Officer

26/09/11.....Date

SECTION 7 – AUDITOR’S OPINION

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

Opinion on the Authority accounting statements

I have audited the accounting statements of Carlisle City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Carlisle City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Carlisle City Council’s affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Carlisle City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

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

Karen Murray, District Auditor

29 September 2011

Officer of the Audit Commission
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ