



Statement of Accounts

Year ending 31 March 2009

Independent Auditor's report to the Members of Allerdale Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Allerdale Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the 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 Allerdale Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Finance and Auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Allerdale Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Gina Martlew, Appointed Auditor

29th September 2009

Audit Commission
Aspinall Close
Middlebrook
Bolton, BL6 6QQ

Allerdale Borough Council

Statement of Accounts 2008/2009

Contents

Explanatory Foreword	6
Statement of Accounting Policies	13
Statement of Responsibilities for the Statement of Accounts	25

Core Financial Statements:

Income and Expenditure Account.....	26
Statement of Movement on General Fund Balance.....	27
Statement of Total Recognised Gains & Losses	28
Balance Sheet	29
Cash Flow Statement	31
Notes to the Core Financial Statements	32

Supplementary Financial Statements:

Collection Fund.....	70
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Other Statements

Governance Statement.....	1
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Explanatory Foreword

1 Introduction

- 1.1 The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.
- 1.2 The Statement of Accounts shows Allerdale's financial situation at 31 March 2009 and gives details of the Council's expenditure and income for the 2008/09 financial year. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice, (the SORP).
- 1.3 The main purposes of the financial statements which make up the Statement of Accounts are as follows:

- **Statement of Accounting Policies**

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions on which the accounts have been prepared.

- **Statement of Responsibilities for the Statement of Accounts**

Local authorities are required to include in their accounts an explanation of the responsibilities of Allerdale Borough Council and of the Head of Finance in respect of the accounts. The Statement of the Accounts is intended to present fairly the financial transactions of the Council for the year and has been prepared with reference to accounting guidance and legal requirements.

- **Core Financial Statements**

- i) **Income and Expenditure Account**

This statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together the expenditure and income relating to all the Council's functions, in three distinct sections:

- a) The first section provides information on the costs of the Council's operations, net of specific grants and fees and charges, to give the net cost of services.
 - b) The second section consists of items of income and expenditure relating to the authority as a whole. When added to the net cost of services, this gives the Council's net operating expenditure.
 - c) The third section shows income from local taxation and general government grants, to give the net deficit or surplus for the year.

The Income and Expenditure Account is compiled in accordance with the Best Value Accounting Code of Practice.

ii) **Statement of Movement on the General Fund Balance**

Statutory accounting practice requires that certain costs are charged to the Income and Expenditure Account which reflect the Council's financial transactions but do not have an impact on General Fund Balances. This account provides a reconciliation between the outturn on the Income and Expenditure account and the balance established by the statutory provisions taken into account in setting council tax.

iii) **Statement of Total Recognised Gains and Losses**

Not all gains and losses experienced by the Council are reflected in the Income and Expenditure Account, in line with accounting practice. To reflect the complete position, this account brings together all the gains and losses of the Council for the year and shows the aggregate movement in its net worth.

iv) **Balance Sheet**

The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It comprises of the assets and liabilities of the authority accrued in its business with the outside world, balanced by an attribution of the net worth of the authority.

v) **Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- **Supplementary Financial Statements**

- i) **Collection Fund**

- This statement reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions in relation to Council Tax and Non-Domestic Rates and illustrates the way in which these have been distributed to preceptors and the Council's General Fund.

- **Governance Statement**

- The Annual Governance Statement sets out the arrangements put in place by the Council to address legislative requirements, governance principles and management processes, with the aim of ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

2 General Fund

- 2.1 The General Fund records the day-to-day running costs of the Council's services. Net General Fund expenditure is met from the following sources:
- Government Grants, consisting of:
 - i) National Non-Domestic Rates, collected locally and redistributed nationally.
 - ii) Revenue Support Grant
 - iii) Concessionary Travel Grant
 - iv) Local Authority Business Growth Incentive Grant, which is based on increases in business rates collected
 - v) Area Based Grant
 - Collection Fund, consisting of:
 - i) Collection Fund surpluses, arising from better than expected collection rates.
 - ii) Council Tax, collected from the borough's residents.
 - General Fund Balances
 - Earmarked Reserves
- 2.2 The General Fund revenue budget for Allerdale's services was set at £17 million, (February 2008). Actual expenditure was £18.40 million, and was above budget mainly due to a provision of £1.2 million to cover the anticipated one-off costs of the Job Evaluation Scheme, which were met from Reserves and Balances.
- 2.3 The Council received additional LABGI grant of £150,000 that was not anticipated, and also Area Based Grant of £435,000 has been included in General Grants rather than within the Net Cost of Services.
- 2.4 During the year the release of earmarked reserves has been significantly higher than budget. Again this is in part due to the release of reserves to cover the Job Evaluation provision.
- 2.5 When account is taken of the impact of the additional expenditure and the additional release from reserves on the overall position, an underspend enabling a contribution of £244,000 to be made to General Fund Balances is the result.

2.6 The table below shows how actual expenditure for 2008/09 compared to budget, together with where the expenditure was met from:

	Budget £000	Actual £000	Variance £000
Expenditure			
Net Expenditure on Services	17,013	18,402	1,389
General Fund Balances	(88)	244	332
Earmarked Reserves	(1,537)	(2,673)	(1,136)
	15,388	15,973	585
Net Parish Precepts	1,040	1,040	0
	16,428	17,013	585
Financing			
Government Grants			
National Non-Domestic Rates	9,241	9,241	0
Revenue Support Grant	1,287	1,287	0
LABGI	0	150	150
Concessionary Travel Grant	512	512	0
Area Based Grant	0	435	435
Collection Fund			
Collection Fund Surplus	18	18	0
Council Tax	5,370	5,370	0
	16,428	17,013	585

2.7 The Council had General Fund Balances of £4.3 million as at 31 March 2009, (£4.1 million at 31 March 2008) and earmarked reserves of £6.0 million, (£8.9 million at 31 March 2008). The Council manages its reserves and balances in accordance with its Reserves and Balances Policy.

3 Changes in Accounting Policies

3.1 The 2008/09 accounts reflect some changes in accounting policy introduced through the Code of Practice on Local Authority Accounting in the United Kingdom 2008, (the SORP). In comparison to the last two years, the changes are relatively insubstantial, and mainly deal with clarification on a number of aspects.

3.2 There are some more significant changes in the presentation of information relating to retirement benefits. The accounts are prepared in line with the requirements of Financial Reporting Standard 17, which has been updated to bring it into line with International Accounting Standards. The note to the accounts covering Pensions sets out the information in its new format.

3.3 The accounts also include the replacement of the concept of deferred charges with 'Revenue Expenditure Funded from Capital under Statute'. The change reflects the GAAP requirement that deferred charges cannot be carried in the Balance Sheet. In practice, this authority has charged such costs to revenue in the year in which they have arisen, so the impact is not significant.

- 3.4 Area Based Grant has replaced Local Area Agreement Grant with effect from 1 April 2008. Area Based Grant is a non-ringfenced general grant, with no conditions imposed upon its usage, which is included in the Income and Expenditure Account with other general government grants. The Council has primarily applied this grant to support its Neighbourhood Management scheme.

4 Capital Expenditure

- 4.1 Capital expenditure covers expenditure on long term projects. The table below shows capital expenditure for all services in 2008/09 compared to budget, together with where the expenditure was met from. The revised budget reflects uncompleted schemes carried forward from the previous year:

	Original Budget £'000	B/F from 07/08 £'000	Additions £'000	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure						
Private Sector Housing	2,376	1,349	(174)	3,551	2,563	(988)
Asset Management	110	192	22	324	334	10
Regeneration	950	1,544	150	2,644	1,524	(1,120)
Leisure	0	2,093	34	2,127	1,264	(863)
Information technology	0	0	122	122	122	0
	3,436	5,178	154	8,768	5,807	(2,961)
Financing						
Borrowing - Supported	0	418	0	418	418	0
Borrowing - Unsupported	0	5	34	39	43	4
Grants	3,216	3,935	(174)	6,977	4,178	(2,799)
Capital Receipts	210	301	172	683	1,005	322
Revenue and Reserves	10	519	122	651	163	(488)
	3,436	5,178	154	8,768	5,807	(2,961)

5 Collection Fund

- 5.1 Council Tax and National Non-Domestic Rates are collected and paid into the Collection Fund. Payments are made from the fund to the National Business Rate Pool, (for redistribution to local authorities nationally), and to Cumbria County Council, Cumbria Police Authority, Parish Councils in the borough, and Allerdale Borough Council, (General Fund), through precepts.
- 5.2 For 2008/09, Band D Council Tax was set at £1,427.67, (excluding parish precepts), comprising the following:-

	£
Allerdale Borough Council	136.17
Cumbria County Council	1,112.04
Cumbria Police Authority	179.46
	1,427.67

6 Treasury Management

- 6.1 The Council used a fund manager, (Scottish Widows Investment Partnership), to manage part, (£7.9 million), of the Council's cash balance. The remaining balance was managed in-house.
- 6.2 The national economic position had a significant impact on earnings from investments, with interest rates falling well below the budgeted position. Whilst the Council has adopted a prudent approach to investments through a restricted counter-party list this was reviewed and further controls introduced, given the market position, which also impacted on earnings.
- 6.3 The Council's borrowing facilities were arranged in accordance with its Treasury Management Policy. Permitted facilities consisted of Public Works Loan Board, (PWLB), Money Market and direct borrowings. Outstanding debt at 31 March 2009 was £16.8 million, made up primarily of PWLB debt.

7 Pensions Reserve

- 7.1 The Council is required under Financial Reporting Standard 17 to report its liability under the pension scheme as it arises, rather than when benefits are paid as pensions. The actuarial valuation at 31 March 2009 showed a net liability of £18.1 million, (£19.2 million at 31 March 2008).
- 7.2 The liabilities show the Council's underlying commitments to pay retirement benefits in the long term. The total liability has a significant impact on the Council's net worth. In accordance with statutory requirements, the deficit will be recovered through increased contributions over the working life of employees, as assessed by the scheme actuary. The latest triennial review of the fund by the actuary introduced revised contribution rates effective from 1 April 2008.

8 Job Evaluation

- 8.1 The 1997 Single Status Agreement and the 2004 National Pay Agreement placed an obligation on local authorities and Trade Unions to undertake local pay reviews in accordance with equal pay legislation. The national pay agreement set a deadline of 31 March 2007 for completion of the pay review.
- 8.2 The Council undertook a job evaluation review of all posts below Heads of Service during 2007/8. During 2008/9, an appeals process took place and at 31 March 2009, a decision was still to be reached between the Council and Unison on the outcome of the review.
- 8.3 In accordance with accounting requirements, the 2008/9 accounts reflect the costs of the job evaluated posts, with effect from 1 April 2008, rather than the actual costs incurred for those posts. A provision has been created to meet the costs associated with job evaluation when they arise.

9 Asset Valuation

- 9.1 Assets are revalued on a five yearly basis, augmented by an annual review, to identify material variations in asset values. A review by the Council's Valuer, undertaken in respect of 2008/9, has concluded that land and property within the borough has not been subject to the market volatility which has been experienced elsewhere. Taken together with the conservative valuations adopted at the last full revaluation in 2004, the Valuer has concluded that the Council is not required, in general, to make adjustments for impairment to its assets.

Further information about the accounts is available from:

Head of Finance
Allerdale House
New Bridge Road
WORKINGTON
Cumbria
CA14 3YJ

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2008-09 financial year and its position at the year end of 31 March 2009. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice, (the SORP), issued by the Chartered Institute of Public Finance and Accountancy, (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards and recommended practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. There have been no changes in estimation techniques which are material to the accounts.

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:
Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

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 stocks on the Balance Sheet. An exception to this principle relates to electricity and similar quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Provisions

Provisions are made where an event takes place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit, where a reliable estimate can be made of the amount involved, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision, is expected to be met by another party, this is only recognised as income in the relevant service revenue accounts if it is virtually certain that reimbursement will be received if the obligation is settled.

4 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue accounts in that year to score against the Net Cost of Services in the Income and Expenditure account. The reserve is then appropriated back into the General Fund Balance statement so that there is not net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and these do not represent usable resources for the council – these reserves are explained in the relevant policies below.

5 Government Grants and Contributions (revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Cumbria County Council. The scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria County Council pension scheme attributable to the Council are included in the Balance sheet on an actuarial basis using the projected unit method, (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees)
- Liabilities are discounted to their value at current prices
- The assets of the Cumbria County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
 - a) current service cost – the increase in liabilities as a result of years of service earned earlier this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - b) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - c) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - d) expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - e) gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of the Non Distributed Costs.
 - f) 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 – debited to the Statement of Total Recognised Gains and Losses.

- g) contributions paid to the Cumbria County Council pension fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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 the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from it.

8 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 2008 (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:

- o Corporate and Democratic Core – costs relating to the council’s status as a multi-functional, democratic organisation
- o Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational premises

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Accounts, as part of Net Cost of Services.

9 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, (e.g. software licences), is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of asset performance (e.g. repairs and maintenance), is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

The last full revaluation took place on 1 April 2004. The Valuation work was undertaken by the Council's Valuation Officer, JLA Windsor, FRICS, and the District Valuer, J Potter, BA, ARICS.

Impairment

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is 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 Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life, (except for investment properties), by allocating the value of the assets in the Balance Sheet to the periods expected to benefit from their use.

The estimated useful lives of assets have been professionally derived by the Council's Valuation Officer and were reviewed as part of the last full revaluation. Estimates of the useful life of each individual asset range from 5 to 70 years, although the majority of properties have an estimated useful life of between 15 and 30 years.

Depreciation is calculated using the straight line method.

Where an asset has new major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between the 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.

Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11 Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement which is considered to be prudent. In accordance with the statutory guidance issued regarding interpretation of the term 'prudent provision', the following policies have been adopted. For debt which is supported by the government through the Revenue Support Grant system, the 'Regulatory' method has been applied; for debt which is unsupported, the 'Depreciation' method will be adopted. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12 Revenue Expenditure Funded from Capital under Statute

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

13 Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

a charge for the acquisition of the interest in the property, (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and a finance charge, (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council currently holds no finance leases.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council also acts in the capacity as lessor for the lease of land and property it owns. Rents due under operating leases are accounted for on an accruals basis as they become due. Lease arrangements are reviewed regularly by Asset Management and where increases in rent are agreed, the additional income is accounted for in the year the lease review is completed and the revised rent becomes due. Where the Council acts as lessor, land and property leased under operating leases are held as a fixed asset within the Balance Sheet and valued in accordance with the measurement bases for Fixed Assets described in Policy note 10.

14 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15 Financial Assets

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and do not have fixed or determinable payments.
- Fair value through profit and loss – assets held for trading purposes, principally for sale or repurchase in the near term.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has one loan outstanding which were made to organisations at other than market rates, which may be classed as a “soft loan”. The loan in question is relatively small in size and the interest foregone is not considered to be material.

Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

The Council holds government stocks and private company shares of low value. These are held in the Balance Sheet at historic cost as the marginal difference between this and fair value is not considered material. The fair value position is set out in a note to the accounts.

Where there are no fixed or determinable payments, income, (e.g. dividends), is credited to the Income and Expenditure Account when it becomes receivable by the Council.

All other assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- equity shares with no quoted market prices – company advised price.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

Fair Value through Profit and Loss

Part of the Council's investment portfolio is managed by a fund manager who contractually is empowered to trade. The investments managed will commonly not be held until maturity and are classified as being acquired principally for the purpose of selling or repurchasing in the near term, with evidence in place of short term profit taking.

Instruments Entered into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy note 3.

16 Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year end and is recorded in the Balance Sheet at cost, plus any profit reasonably attributable to the works.

17 Business Improvement District Scheme

The Council acts as agent for the Keswick BID scheme and, as billing authority, maintains a BID revenue account. In acting as agent, the Council does not record amounts relevant to the scheme in its Income and Expenditure Account.

18 Area Based Grant

Area Based Grant, (ABG), replaced Local Area Agreement, (LAA), Grant with effect from 1 April 2008. ABG is a non-ringfenced general grant, which has no restrictions imposed upon its usage, unlike LAA Grant. ABG is received directly by the Council from government, rather than being received indirectly through Cumbria County Council, as with LAA Grant. ABG is accounted for in the Income and Expenditure account along with other general income sources.

19 Concessionary Travel Grant

Concessionary Travel Grant is a non-ringfenced special grant, which was introduced by the government to meet the costs of the new national bus concession in England, which commenced on 1 April 2008. Concessionary Travel Grant is accounted for in the Income and Expenditure account along with other general income sources.

20 Contingent Assets

Contingent Assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control. In accordance with accounting requirements, they are not recognised in the accounts, rather they are disclosed as a note to the Accounting Statements. Contingent assets are continually assessed to determine their position.

21 Contingent Liabilities

Contingent Liabilities are either:

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or

Present obligations arising from past events, but not recognised because:

It is not probable that a transfer of economic benefits will be required to settle the obligation, or

The amount of the obligation can't be measured with sufficient reliability.

In accordance with accounting requirements, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the Accounting Statements. Contingent liabilities are subject to a continual assessment to determine their position.

22 Interest in Companies and Other Entities

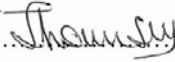
A review has concluded that the Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures. There is therefore no requirement to prepare group accounts.

Statement of Responsibilities for the Statement of Accounts

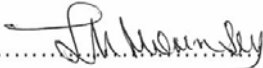
Allerdale Borough Council's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts. In this authority, that function is delegated to the Audit Committee.

Signed 
Councillor J Mounsey
Audit Committee Chairman

Dated 30 June 2009

Signed 
Councillor J Mounsey
Audit Committee Chairman


Dated 29 September 2009

The Head of Finance's responsibilities

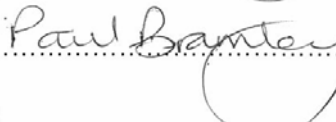
The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice").

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice.
- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed 
Paul Bramley
Head of Finance

Dated 30 June 2009

Signed 
Paul Bramley
Head of Finance

Dated 29 September 2009

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Net Expenditure 2007/08 £'000		Gross Expenditure 2008/09 £'000	Gross Income 2008/09 £'000	Net Expenditure 2008/09 £'000	Note
	EXPENDITURE ON SERVICES				
1,764	Central services to the public	9,359	(7,302)	2,057	
10,555	Cultural, Environmental and Planning Services	20,620	(6,815)	13,805	
707	Highways, Roads and Transport services	4,501	(3,037)	1,464	
2,847	Housing Services	24,428	(23,035)	1,393	
2,758	Corporate and Democratic Core	2,363	(338)	2,025	
388	Non-distributed Costs	35	0	35	
19,019	Total Continuing Operations	61,306	(40,527)	20,779	
0	Discontinued Operations	0	0	0	
19,019	NET COST OF SERVICES	61,306	(40,527)	20,779	
(11)	(Gains)/Losses on the disposal of fixed assets			42	
(774)	Other gains			(105)	35
907	Parish Council Precepts			1,040	
(131)	(Surplus)/Deficit on Trading Undertakings			(136)	2
(1,639)	Interest Receivable			(1,272)	
1,092	Interest Payable and similar charges			850	
193	Pension Interest Costs and Expected Return on Pension Assets			1,086	30
18,656	NET OPERATING EXPENDITURE			22,284	
(5,060)	Demand on the Collection Fund			(5,370)	
(42)	Collection Fund surplus			(18)	
(1,490)	General government grants			(2,234)	8
(8,882)	Non-domestic rates distribution			(9,241)	
(482)	LABGI			(150)	
2,700	(Surplus) / Deficit for year			5,271	

Statement of Movement on General Fund Balance 2008/2009

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure account and the General Fund Balance.

2007/08 £'000		2008/09 £'000
2,700	(Surplus) / Deficit for the year on the Income & Expenditure Account	5,271
(1,619)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(5,515)
1,081	Reduction/(Increase) in General Fund Balance for the year	(244)
(5,142)	General Fund Balance brought forward	(4,062)
(4,061)	General Fund Balance carried forward	(4,306)

See also note 1

Statement of Total Recognised Gains & Losses 2008/2009

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

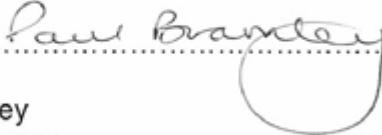
2007/08 £'000		2008/09 £'000
2,700	(Surplus) / Deficit for the year on the Income & Expenditure Account	5,271
(6)	Surplus arising on the revaluation of fixed assets	(10,917)
(2)	Movement on Collection Fund for the year	(23)
7,657	Actuarial (gain)/losses on pension fund assets and liabilities	(2,025)
223	Net movement from Financial Instruments Adjustment account	0
10,572	Total Recognised Gains and Losses	(7,694)
	Reconciliation to Balance Sheet	
68,761	Net worth as at 1 April	58,189
58,189	Net worth as at 31 March	65,883
10,572	Movement in Year	(7,694)

Balance Sheet as at 31 March 2009

31.3.08 £'000		31.3.09 £'000	31.3.09 £'000	Note
391	Fixed Assets	354		16
	Intangible Fixed Assets			
	Tangible Fixed Assets			
	<i>Operational Assets</i>			
25,113	- Other Land and Buildings	37,367		
250	- Vehicles, Plant and Equipment	148		
13,053	- Infrastructure Assets	13,882		
1,880	- Community Assets	1,947		
	Non-Operational Assets			
17,656	- Investment Properties	18,180		
3,304	- Assets under Construction	591		
24,768	- Surplus Assets held for Disposal	24,769		
86,415	Total Fixed Assets		97,238	12
20	Long Term Investments		20	21
153	Long Term Debtors		138	18
86,588	Total Long Term Assets		97,396	
	Current Assets			
39	- Stocks and Work in Progress	45		19
9,014	- Debtors	6,784		20
23,121	- Investments	14,868		21
285	- Payments in Advance	456		20
	- Cash & Bank	227		23
			22,380	
119,046	Total Assets		119,776	
	Current Liabilities			
(5,887)	- Short Term Borrowing	(290)		24
(3,361)	- Creditors	(3,527)		22
(1,329)	- Bank Overdraft	0		23
(2,183)	- Receipts in Advance	(2,590)		22
			(6,407)	
106,286	Total Assets less Current Liabilities		113,369	
	Long Term Liabilities			
(18,529)	Long Term Borrowing		(16,474)	24
(275)	Provisions		(1,461)	25
(9,039)	Government Grants Deferred		(10,311)	26
(1,043)	Capital Grants Unapplied		(1,102)	27
(19,211)	Liability related to Defined Benefit Pension Scheme		(18,138)	30
58,189	Total Assets less Liabilities		65,883	
	Financed by			
0	Revaluation Reserve		10,899	28
0	Available for Sale Financial Instruments Reserve		0	28
61,734	Capital Adjustment Account		60,548	28
(212)	Financial Instruments Adjustment Account		1	28
1	Deferred Capital Receipts		1	28
2,874	Usable Capital Receipts Reserve		2,138	28
(19,210)	Pensions Reserve		(18,138)	30
4,123	General Reserves		4,390	28
8,879	Earmarked Reserves		6,044	28
58,189	Total Net Worth		65,883	

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 30 June 2009. The accounts were authorised by the Head of Finance for issue on 30 June 2009 and following audit, on 29 September 2009. Consideration has been given, up until the new authorised issue date, as to whether any events have taken place after the balance sheet date which require disclosure.

I certify that the accounts present fairly the financial position of the Council at 31 March 2009 and its income and expenditure for the year then ended.

Signed  Dated 29 September 2009

Paul Bramley
Head of Finance

Cash Flow Statement

2007/08 £'000		£'000	2008/09 £'000	£'000
	Revenue Activities			
	Cash Outflows			
(9,695)	Cash paid to or on behalf of Employees		(9,784)	
(22,612)	Other Operating costs/receipts		(18,892)	
(18,796)	Housing Benefit paid out		(20,072)	
(19,773)	NNDR payments to national pool		(21,263)	
(40,346)	Precepts paid (CCC, CPA Parishes)		(42,191)	(112,202)
(111,222)				
	Cash Inflows			
1,521	Rents	1,464		
38,571	Council Tax	40,712		
20,125	NNDR	21,619		
8,882	NNDR contribution from national pool	9,241		
1,581	Revenue Support Grant	1,287		
18,530	DWP grants – rent allowances	19,690		
10,983	Central government grants	11,296		
6,155	Cash for Goods and Services	6,857	112,166	112,166
106,348				
(4,874)	Net Cash Flow from Revenue Activities			(36)
	Servicing Of Finance			
	<u>Expenditure</u>			
(1,096)	Interest paid		(1,098)	
	<u>Income</u>			
1,482	Interest received		1,537	439
(4,488)				403
	Capital Activities			
	<u>Expenditure</u>			
(5,784)	Purchase of Fixed Assets	(2,800)		
(1,451)	Other Capital Cash Payments	(5)	(2,805)	
(7,235)				
	<u>Income</u>			
147	Sale of Fixed Assets	145		
1,294	Capital grants	2,515		
82	Other capital cash income	835	3,495	690
(10,220)				1,093
	Management Of Liquid Resources			
	<u>Expenditure</u>			
3,397	Decrease/(Increase) in Short Term Investments			9,498
	Financing			
	<u>Expenditure</u>			
(3,678)	Repayments of amounts borrowed		(15,060)	
	<u>Income</u>			
9,166	New Short Term Loans		7,659	(7,401)
(1,335)	Increase/(Decrease in Cash)			3,190

See also note 34.

1. Note of reconciling items for the Statement of Movement on the General Fund Balance

The following table analyses those movements in the General Fund Balance that are not incorporated into the Income & Expenditure Account:

Reconciling Items for Statement of Movement on General Fund Balance

2007/08 £'000		2008/09 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance	
(199)	Amortisation of intangible fixed assets	(159)
(1,675)	Depreciation and impairment of fixed assets	(2,451)
431	Government Grants Deferred amortisation	477
(1,451)	Revenue Expenditure funded from Capital under Statute	(676)
785	Net gain (or loss) on sale of fixed assets	63
(710)	Capital grants applied to finance assets on which no depreciation is charged	
12	Difference between amounts debited/credited to the I&E account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	213
(1,667)	Net charges made for retirement benefits in accordance with FRS17	(2,329)
(4,474)		(4,862)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance	
551	Minimum revenue provision for capital financing	643
721	Capital expenditure charged in year to the General Fund Balance	163
1,494	Employer's contribution payable to the Cumbria Pension Fund and retirement benefits payable direct to pensioners	1,377
2,766		2,183
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
89	Housing Revenue Account balance	
89	Voluntary revenue provision for capital financing	
89	Net transfer to or from earmarked reserves	(2,836)
89		(2,836)
(1,619)	Net additional amount required to be credited to the General Fund balance for the year	(5,515)

2. Trading Concerns

The Council operates a number of Industrial Estates within the Borough. The financial results for the operation are as follows:

Trading Estates	2008/09 £'000	2007/08 £'000
Expenditure	91	83
Income	(227)	(214)
(Surplus)/Deficit	(136)	(131)

3. Expenditure on Publicity

Section 5(1) of the Local Government Act 1986 requires a Local Authority to keep a separate account of its expenditure on publicity. In 2008/09 this amounted to £261,523, (2007/08: £322,342).

	2008/09 £'000	2007/08 £'000
Advertising Vacancies	39	55
Statutory Notices	29	28
Regeneration Initiatives	0	43
Promotions General	194	196
Total	262	322

4. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables authorities to incur expenditure not specifically authorised under any other power for the benefit of people in the area. The Local Government Act 2000 has repealed the majority of the Section 137 powers, with the exception of the power to make contributions to charities in the UK, not-for-profit bodies and mayoral appeals.

During the Financial Year 1 April 2008 to 31 March 2009 there were no such items of expenditure.

5. Building Control Account

The Local Authority Building Control Regulations 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 statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account 2008/09

	Non Chargeable		Chargeable		Total	
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Expenditure						
Employee Expenses	186	170	247	213	433	383
Premises	10	19	13	7	23	26
Transport	14	14	18	17	32	31
Supplies & Services	13	16	25	27	38	43
Central and Support Service Charges	32	18	57	39	89	57
Total Expenditure	255	237	360	303	615	540
Income						
Building Regulation Charges			(348)	(368)	(348)	(368)
Miscellaneous Income	(9)	(16)			(9)	(16)
Total Income	(9)	(16)	(348)	(368)	(357)	(384)
(Surplus) / Deficit for Year	246	221	12	(65)	258	156

6. Business Improvement District Revenue Account

The Council is the billing authority for the Keswick Business Improvement District (BID), which is managed by Keswick BID Limited, an executive group of local businesses. The BID Scheme, initially operating between 2006 and 2011, is provided for in regulations made under part 4 of the Local Government Act 2003. The levy collected from the qualifying business rate payers is paid over to Keswick BID Ltd to deliver priorities identified by the BID executive group.

	2008/09 £	2007/08 £
Income		
BID Levy Income	(76,653)	(74,583)
Expenditure		
Transfer to Keswick Bid Limited	76,513	71,915
	(140)	(2,668)

7. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

During the year Allerdale provided a variety of services to other local authorities and public bodies e.g. Cumbria County Council. In 2008/09 the Council was reimbursed £1,787,337.04 for such services rendered, (£1,931,700 in 2007/08).

8. General Government Grants

General Government Grants consist of the following:

	£'000
Revenue Support Grant	1,286
Concessionary Travel Grant	512
Area Based Grant	436
	2,234

Revenue Support Grant is applied generally to support Council expenditure. Concessionary Travel Grant is a non-ringfenced special grant, which the Council applies to support expenditure on Concessionary Travel costs following the introduction of the National Bus Concession with effect from 1 April 2008. Area Based Grant is a non-ringfenced general grant which replaced Local Area Agreement Grant with effect from 1 April 2008. The Council applies it to support expenditure on Neighbourhood Management.

9. Members' Allowances and Officers Remuneration

- a) The total allowances paid to Members in 2008/09 was £268,510, (£244,430 in 2007/08).
- b) The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000 was:

Remuneration Band	Number of Employees	
	2008/09	2007/08
£50,000 - £59,999	0	0
£60,000 - £69,999	0	3
£70,000 - £79,999	2	0
£80,000 - £89,999	1	0
£90,000 - £99,999	0	0
£100,000 - £109,999	0	1
Total	3	4

10. Related Party Transactions

The 2008 Accounting Code of Practice requires information in respect of material transactions with related parties to be disclosed. A number of these transactions have already been disclosed within the financial statements as follows:

- a) Transactions with Central Government and Parish Councils have been disclosed within the Income and Expenditure Account, Cashflow Statement and Collection Fund Account.
- b) Transactions with the County Council and Police Authority are disclosed in the Collection Fund Account
- c) Transactions with the Pension Fund are disclosed in the Statement of Account Policies and note 30 to the Core Financial Statements.

The following are the material transactions with related parties, which were undertaken in 2008/09, and which are not disclosed elsewhere within the Accounts:

Related Party and Declared Relationships	Income £	Expenditure £	Balance At Year End £
Age Concern 1 Chairman 1 Employee 1 Member 2 Other	162	43,634	0
Brown & Armstrong (Contractor) Neighbourhood Renewal 1 Director	NIL	130,752	0
Carlisle Leisure 2 Other	20,027	1,027,354	3,138
Citizens Advice Bureau 1 Member 1 Other	8,480	32,500	1,188
Cumbria Community Foundation 1 Other	NIL	50,000	0
Cumbria Tourism 2 Other	NIL	40,216	0
Derwent & Solway Housing Association 2 Other	11,070	7,415,643	20
Eastman Chemicals 1 Other	NIL	105,596	0
Lakes College 1 Governor	1,265	12,189	0
Maryport Developments Ltd 2 Members 1 Council Representative	NIL	34,315	0
North Allerdale Partnership 2 Other	5,192	32,450	0
West Lakes Renaissance 1 Director 1 Member	425	13,086	0
Westfield Housing 1 Member 2 Other	5,733	778,833	0
Workington Conservative Club 1 Member	180	34,458	0

11. Audit Costs

In 2008/09, the Council incurred the following fees relating to external audit and inspection work:

	2008/09 £'000	2007/08 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	111	116
Fees payable to the Audit Commission in respect of statutory inspection	6	7
Fees payable to the Audit Commission for the certification of grant claims and returns	61	40
Fees payable in respect of other services provided by the appointed auditor	0	0
	178	163

12. Operational and Non-operational Fixed Assets

The balance of net fixed assets at 31 March 2009 is made up as follows:

Operational Assets

	Other Land and Buildings £'000	Equipment & vehicles £'000	Intangible Assets £'000	Infrastructure Assets £'000	Community Assets £'000	Total Operational Assets £'000
Cost or Valuation						
At 1 April 2008	28,293	496	935	14,999	1,880	46,603
Additions	645		122	1,420	67	2,254
Disposals	(495)					(495)
Reclassifications	2,867					2,867
Revaluations	6,766					6,766
At 31 March 2009	38,076	496	1,057	16,419	1,947	57,995
Depreciation and Impairments						
At 1 April 2008	(3,180)	(246)	(544)	(1,946)	0	(5,916)
Depreciation charge for 2008/09	(736)	(102)	(159)	(591)		(1,588)
Disposals	373					373
Reclassifications	11					11
Revaluations	2,950					2,950
Impairment charge for 2008/09	(126)					(126)
At 31 March 2009	(708)	(348)	(703)	(2,537)	0	(4,296)
Balance sheet amount at 31 March 2009	37,368	148	354	13,882	1,947	53,699
Balance sheet amount at 1 April 2008	25,113	250	391	13,053	1,880	40,687

See Note 12.4 concerning accumulated depreciation brought forward.

Non-Operational Assets

	Investment property £'000	Surplus assets £'000	Assets under Construction £'000	Total Non-Operational Assets £'000	Total Fixed Assets £'000
Cost or Valuation					
Gross value at 1 April 2008	17,681	24,786	3,304	45,771	92,374
Additions		198	249	447	2,701
Disposals	(65)			(65)	(560)
Reclassifications	95		(2,962)	(2,867)	0
Revaluations	1,244			1,244	8,010
At 31 March 2009	18,955	24,984	591	44,530	102,525
Depreciation and Impairments					
At 1 April 2008	(25)	(18)	0	(43)	(5,959)
Depreciation charge for 2008/09					(1,588)
Disposals					373
Reclassifications					11
Revaluations					2,950
Impairment charge for 2008/09	(750)	(198)		(948)	(1,074)
At 31 March 2009	(775)	(216)	0	(991)	(5,287)
Balance sheet amount at 31 March 2009	18,180	24,768	591	42,315	97,238
Balance sheet amount at 1 April 2008	17,656	24,768	3,304	45,728	86,415

12.1 A summary of fixed assets held at 31 March 2009 is provided below:

Operational Assets

	Number	Total value £'000
Land and Buildings		
Office accommodation	9	2,489
Depots & stores	4	445
Public car parks:		
- pay and display	20	15,140
- free	8	367
Public conveniences	30	1,149
Sports & leisure centres	3	10,134
Museums, theatres & public halls	7	7,644
		37,368
Vehicles & plant		
Vehicles	3	96
Equipment	1	52
		148
Intangible Assets		
General Software & licences		245
Payroll software		67
Solway Discovery Centre-intellectual property		42
		354
	Number of schemes	
Infrastructure assets:		
Various infrastructure works	50	13,882
		13,882
Community assets:		
Public parks & open spaces	23	1,553
Sports pitches	4	113
Nature reserves	2	56
Cemeteries	10	225
		1,947
Non operational assets:		
	Number	
Investment property		
Shops/shopping precincts	6	8,955
Residential	3	215
Industrial estates	10	3,293
Miscellaneous commercial lettings	25	5,717
		18,180
Surplus Assets		
Miscellaneous vacant land	23	24,768
Assets under construction	1	591
Total asset value at 31 March 2009:		97,238

12.2 The Council owns a number of Community Assets which have not been included in the asset register and therefore do not form part of the balance sheet. These are set out below, together with a note of their valuation for insurance purposes.

	Valuation £'000
Maryport Maritime Museum Exhibits, etc	112
Helena Thompson Museum Exhibits, etc	270
Keswick Museum Exhibits	273
Civic Regalia	45

12.3 Basis of Valuation of Fixed Assets

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Assets Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Asset	Basis of Valuation	Depreciation	Asset Lives
Other Land and Buildings	Open Market Value for existing use (non-specialised properties) or Depreciated Replacement Cost (specialised properties)	Straight line	Between 5 and 67 years
Equipment and Vehicles	Historical Cost	Straight Line	Between 1 and 4 years
Infrastructure Assets	Historical Cost	Straight Line	Between 2 and 59 years
Community Assets	Historical Cost		
Non-Operational Assets	Open Market Valuation		
Intangible Assets	Historical Cost	Straight Line	Between 3 and 5 years

Revaluation of these assets is on a 5 yearly basis, last undertaken on 1 April 2004. Revaluations are undertaken by the Council's Valuation Officer, with assistance from external valuers where required. John Windsor, (FRIC), the Council's Valuer, performed an interim review of the Property Asset Register in April 2009 and provided a report to the Head of Finance on 24 April 2009, indicating amendments required. This concluded that the land and property market in the borough has not been subject to the volatility experienced elsewhere, and this, together with the conservative values derived at the last full revaluation in 2005, has provided for a position where there have been no significant reductions in value below the 2005 values.

12.4 Depreciation of Fixed Assets

Depreciation is charged for all material fixed assets in compliance with FRS15 and is calculated on a straight line basis. There have been no changes to the depreciation methods used.

	Cumulative Depreciation 1 April 2008	Actual Depreciation 2008/09	Adjustment to Cumulative Depreciation 2008/09	Cumulative Depreciation 31 March 2009
	£'000	£'000	£'000	£'000
Operational Assets				
Land and Buildings	2,845	725	(2,950)	620
Equipment and Vehicles	246	102	0	348
Intangible Assets	544	159	0	703
Infrastructure Assets	1,946	591	0	2,537
	5,581	1,577	(2,950)	4,208

At 31 March 2008, depreciation of £56,000 on Intangible Assets was incorrectly presented as depreciation on Equipment and Vehicles. This has been corrected in the 1 April 2008 position.

12.5 Gains and Losses on Disposal of Fixed Assets

2008/09				2007/08		
Gains £'000	Losses £'000	Net Total £'000		Gains £'000	Losses £'000	Net Total £'000
(15)	57	42	Sales of Land & Buildings	(24)	13	(11)
(15)	57	42		(24)	13	(11)

13. Capital Expenditure and Financing

	2008/09 £'000	2007/08 £'000
Capital investment:-		
Operational assets	2,255	2,404
Non-operational assets	447	3,211
Revenue Expenditure Funded from Capital under Statute	3,105	4,474
Sources of finance:-		
Borrowing	(461)	(2,389)
Capital receipts	(1,005)	(1,294)
Government grants and other contributions	(4,178)	(5,685)
Sums set aside from revenue	(163)	(721)
	0	0

14. Commitments under Capital Contracts

Outstanding commitments under capital contracts at 31 March 2009 were: -

	2008/09 £'000
Derwentwater Foreshore	307
Keswick Museum dormer windows	15
Maryport Public Realm	326
Port of Workington	480
	1,128

15. Net Assets Employed

The net assets employed represent the total of capital and revenue reserves held by the General Fund and the total equity of the Council. General Fund Reserves do not include the balance on the Collection Fund.

	2008/09 £'000	2007/08 £'000
General Fund	62,590	55,516
Trading Accounts	3,293	2,673
Total Net Assets	65,883	58,189

16. Intangible Fixed Assets

Intangible assets are amortised over five years, using a straight line methodology.

	Total £'000s	Purchased software/ licences £'000	Intellectual property £'000s
Original cost	935	865	70
Amortisations to 1 April 2008	(544)	(530)	(14)
Balance at 1 April 2008	391	335	56
Expenditure in 2008/09	122	122	0
Written off to revenue in 2008/09	(159)	(145)	(14)
Balance at 31 March 2009	354	312	42

17. Leases

17.1 Finance Leases

The Council has no commitments under finance leases.

No new assets were acquired under finance leases during 2008/09.

17.2 Operating Leases

The Council uses wheeled bins and various items of small equipment financed under terms of an operating lease. The amount paid under these arrangements in 2008/09 was £1,530 (2007/08: £2,454).

The Council is committed to making payments of £440 under these leases in 2009/10, comprising the following elements:

	£
Leases expiring in 2009/10	0
Leases expiring between 2009/10 and 2010/11	440

The Council also paid £885 in 2008/09 in respect of secondary rentals for finance leases. No contractual liability exists in respect of payments under these leases.

The Council acts as a lessor in respect of land and property owned by it and leased to tenants. The value of income from rents associated with these agreements and included within the accounts is £1,463,827.

The gross value at 31 March 2009 of these investment properties was £18.955 million and the accumulated depreciation £0.775 million.

18. Long Term Debtors

	2008/09 £'000	2007/08 £'000
Housing Associations	74	79
Mortgages	2	2
Officers' Car Loans	9	4
Commercial Organisations	53	68
	138	153

19. Stocks and Stores

	2008/09 £'000	2007/08 £'000
Stocks	45	39
	45	39

20. Debtors and Payments in Advance

	2008/09	2007/08 £'000
Government Departments	110	207
Department of Work and Pensions	633	171
HM Customs & Excise	347	782
Other Authorities	329	790
NNDR Pool	404	813
Sundry Debtors	4,351	5,644
Council Tax/NNDR	3,310	3,027
	9,484	11,434
Provision for Bad and Doubtful Debts		
- Sundry	(88)	(118)
- Council Tax/NNDR	(1,687)	(1,603)
- Benefits	(469)	(414)
	7,240	9,299

21. Investments

	31.03.09 £'000	31.3.08 £'000
Long Term		
Miscellaneous Bonds and Annuities	20	20
Short Term		
Managed in-house	6,974	12,579
Managed by external fund manager	7,894	10,541
	14,888	23,140

22. Creditors and Receipts in Advance

	2008/09 £'000	2007/08 £'000
Creditors		
General Creditors	(1,920)	(1,653)
Local Authorities	(84)	(6)
Government Departments	(7)	(26)
Cumbria County Council	(116)	(334)
Lancashire County Council	(268)	(293)
Inland Revenue	(204)	(195)
Department for Work and Pensions	0	(31)
Creditors Retention on Capital Projects	(272)	(344)
Precepting Authorities	(656)	(479)
	(3,527)	(3,361)
Receipts In Advance		
Receipts in Advance - General	(1,765)	(1,438)
Receipts in Advance - Local Authority	(152)	(81)
Receipts in Advance - Government Departments	0	(31)
Receipts in Advance – NNDR	(175)	(180)
Receipts in Advance - Council Tax	(498)	(453)
	(2,590)	(2,183)
	(6,117)	(5,544)

23. Cash at Bank

The figure presented in the Balance Sheet reflects the balance on the Council's bank accounts adjusted for items which have been included within the Statement of Accounts prior to 31 March 2009 but not yet through the bank accounts. The actual bank balance at 31 March was £169,479, (£42,048 at 31 March 2008).

24. External Borrowing

Sources of Borrowing

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Long Term Borrowing		
Public Works Loan Board	16,374	18,428
Local Bonds	30	30
Trust Funds	70	70
Short Term Borrowing (includes accrued interest)	290	5,887
	16,764	24,415

Analysis of loans by maturity

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Less than 1 year	590	6,207
Between 1 & 2 years	107	103
Between 2 & 5 years	131	121
Between 5 & 10 years	310	285
More than 10 years	15,626	17,699
	16,764	24,415

25. Provisions

Liabilities in the Balance Sheet include the following provisions:

	2008/09 £'000	2007/08 £'000
Insurance Excess Provision	242	244
Early Retirement	8	12
Government Departments	19	19
Job Evaluation	1,192	0
	1,461	275

Job Evaluation

Allerdale is currently in the process of carrying out its job evaluation review in response to the requirements under The Implementation Agreement, which forms part of the 2004 Local Government Services Pay Agreement.

A provision of £1,192,000 has been made to cover the following:-

	£
2 years back pay, 06/07 and 07/08	403,000
Applying JE grade from 1 April 2008	388,000
Shift Allowance	50,000
Market Factor supplements	78,000
Directors / Heads of Service	35,000
Related on-costs	238,000
TOTAL	1,192,000

The payment of JE arrears and compensatory back pay to employees is dependant upon the signing of compromise agreements, and is likely to be settled from October 09 onwards.

Insurance

Within the provisions shown on the Balance Sheet is an amount of £242,000 which has been set aside to meet uninsured liabilities, such as the £5,000 excess on the Council's Public Liability and Employer's Liability insurance in respect of notified claims and claims incurred but not reported. Details of the movement within the year on this account are shown below.

	£'000
Balance at 1 April 2008	244
Payments made	(20)
Additions to Provisions	18
	242

Notified Claims

- At 31 March 2009, the gross estimated value of settlement costs in respect of outstanding notified liability claims was £202,991. Of this, the Council is liable to pay £39,000 and the Council's insurers the balance of £163,991.

Claims incurred but not reported:

- At 31 March 2009, the Council's estimated liability in respect of claims incurred but not reported was £65,000.

In addition to the above Provision, Earmarked Reserves (see note 28(g), below) include the sum of £100,000 to meet outstanding commitments in respect of obligations arising from the cessation of business of Municipal and Mutual Insurance, the Council's former insurers.

26. Government Grants Deferred

Government Grants Deferred represents the application of grants to finance, either wholly or in part, the acquisition of fixed assets or deferred charges. A summary of movements is set out below:

	2008/09 £'000	2007/08 £'000
Brought forward 1 April	(9,040)	(6,098)
Additions	(1,748)	(3,373)
Amortisation	477	431
Carried forward 31 March	(10,311)	(9,040)

27. Capital Grants Unapplied

Capital grants unapplied are grants received towards the funding of capital expenditure. The balance represents grants received but, as yet, not used to finance capital expenditure.

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	(1,043)	(1,312)
Capital Grants received	(4,236)	(5,415)
Used to finance Revenue Expenditure funded from Capital under Statute	2,429	3,023
Transferred to Government Grants Deferred	1,748	2,661
Balance at 31 March	(1,102)	(1,043)

28. Movement on Reserves

Summary of Movements

Reserve	Balance as at 1st April 2008£0 00	Net Movement in the Year £000	Balance at at 31st March 2009 £000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	10,899	10,899	Account for Revaluation of Assets above net book value	See note (a) below
Capital Adjustment Account	61,734	(1,186)	60,548	Store of capital resources set aside to meet past expenditure	See note (b) below
Financial Instruments Adjustment Account	(212)	213	1	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See note (c) below
Deferred Capital Receipts	1	0	1	Proceeds from mortgages to be received at a future point	See note (d) below
Usable Capital Receipts	2,874	(736)	2,138	Proceeds of fixed assets sales available to meet future capital investment	See note (e) below
Pensions Reserve	(19,210)	1,072	(18,138)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 30 below
General Reserve	4,123	267	4,390	Resources available to meet future running costs of the Council	See note (f) below
Earmarked Reserves	8,879	(2,835)	6,044	Reserves set aside for specific purposes or commitments	See note (g) below
	58,189	7,694	65,883		

a) Revaluation Reserve

The Revaluation Reserve replaced the Fixed Asset Restatement Account, (FARA), with effect from 1 April 2007 and was included in the Balance Sheet with a zero opening balance effective from that date. It records gains on revaluation of fixed assets not yet realised through sales.

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	0	0
Upward revaluations	(10,916)	(6)
Realised revaluation	18	6
Balance at 31 March	(10,898)	0

b) Capital Adjustment Account

The Capital Adjustment Account records the sources of finance through which capital expenditure is funded.

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	61,734	62,915
Depreciation	(1,419)	(1,296)
Amortisation of intangibles	(159)	(199)
MRP	643	551
Revenue Expenditure Funded from Capital under Statute	(676)	(1,450)
Capital receipts used for Financing of capital	1,005	1,294
Revenue contribution to capital	163	721
Amortisation of Grants	477	431
Capital receipt re long term debtor	(20)	(13)
Realised Revaluations	18	6
Disposal of Fixed Assets	(187)	(136)
Capital grants	0	(711)
Impairments	(1,031)	(379)
Balance at 31 March	60,548	61,734

c) Financial Instruments Adjustment Account

	2008/09 £000's	2007/08 £000's
Balance as at 1 April	(212)	(224)
Discount received	224	0
Discount amortised to revenue	(22)	0
Premiums amortised to revenue	11	12
Balance as at 31 March	1	(212)

d) Deferred Capital Receipts

	2008/09 £000's	2007/08 £000's
Balance as at 1 April	1	32
Receipts	0	(31)
Balance as at 31 March	1	1

e) Usable Capital Receipts Reserve

These are capital receipts which are available to finance new capital expenditure, but have not yet been applied for that purpose.

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	2,874	3,203
Capital Receipts in year	269	965
Receipts applied during year	(1,005)	(1,294)
Balance at 31 March	2,138	2,874

f) General Fund Reserves

	2008/09		2007/08	
	General Fund £'000	Collection Fund £,000	General Fund £'000	Collection Fund £'000
Balance as at 1 April	4,061	62	5,142	60
Application of balances	245	0	(1,081)	0
Increase/ (reduction) in Surplus	0	22	0	2
Balance at 31 March	4,306	84	4,061	62

g) Earmarked Reserves

Details of Earmarked Reserves are set out below, arranged to present significant individual reserves and others summarised by Council portfolio:

	31.3.08 £'000	Additions £'000	Applications £'000	31.3.09 £'000
Environment	613	48	180	481
Interest Rate Fluctuations	253		153	100
Town Centre Development	205			205
Finance and Asset Management	857	76	72	861
Planning Delivery Grant	244	81	34	291
Front Line Services	417	109	158	368
New Technology Fund	1,293	48	640	701
Legal	84		32	52
Derwent Forest Development	350		350	0
Port of Workington Development	380		250	130
Regeneration	755	152	433	474
LABGI	407	541	124	824
Corporate Strategy Implementation	1,818	5	1,161	662
Corporate Services	475	44	251	268
Strategic Policy & Parking	83		12	71
Grass Cutting	243			243
Capital Fund	307			307
Miscellaneous	95		90	5
	8,879	1,104	3,940	6,043

29. Financial Instruments

In managing financial instruments, the Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

a) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instrument:

i) Financial Liabilities held at Amortised Cost

	Long-Term		Current	
	2008/09 £'000	2007/08 £,000	2008/09 £'000	2007/08 £'000
Borrowing	16,474	18,531	290	5,884
Operational Creditors	0	0	2,667	2,918
Bank Overdraft	0	0	0	1,329
Total	16,474	18,531	2,957	10,131

ii) Loans and Receivables held at Amortised Cost

	Long-Term		Current	
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Investments	20	20	6,974	12,305
Long term debtors	138	153	0	0
Operational Debtors (Gross)	0	0	3,780	1,054
Cash & Bank	0	0	227	0
Total	158	173	10,981	13,359

iii) Fair Value through Profit and Loss

	Long-Term		Current	
	2008/09 £'000	2007/08 £,000	2008/09 £'000	2007/08 £'000
Investments – Fair Value	0	0	7,894	10,541
Total	0	0	7,894	10,541

NB

Operational debtors shown gross before bad debt provision applied (now classed as an impairment loss – see (c) below).

b) Gains and Losses on Financial Instruments

The Gains and Losses recognised in the Income and Expenditure Account in 2008/09 and STRGL, (if appropriate), in relation to financial instruments, are as follows:

	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Financial Assets Fair Value
	£'000	£'000	£'000
Interest Costs	850	0	0
Impairment Losses (Bad Debt Provision)	0	88	0
Interest Payable and Similar Charges	850	88	0
Interest Income	0	(878)	(394)
Gains on De-recognition	0	0	0
Interest & Investment Income	0	(878)	(394)
Net Gain/(Loss) for year	850	(790)	(394)

Comparative information for financial year 2007/08 is as follows:

	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Financial Assets Fair Value
	£'000	£'000	£'000
Interest Costs	1,092	0	0
Impairment Losses (Bad Debt Provision)	0	118	0
Interest Payable and Similar Charges	1,092	118	0
Interest Income	0	(1,094)	(545)
Gains on De-recognition	0	0	0
Interest & Investment Income	0	(1,094)	(545)
Net Gain/(Loss) for year	1,092	(976)	(545)

c) Fair Value of Assets and 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, using the following assumptions:

- The fair value of PWLB debt was provided, for both 31 March 2008 and 31 March 2009, by the Public Works Loan Board. The 2009 figure has been calculated by reference to the premature repayments set of rates in force on that day and the 2008 figure by reference to the set of interest rates in force on 30 March 2008.
- early repayment or impairment is not recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£000	£000	£000	£000
Financial Liabilities:				
PWLB debt	16,138	22,091	18,169	24,288
Other	101	101	101	101
Financial Assets:				
Loans and receivables	7,098	7,098	12,478	12,478

Financial Liabilities

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 authority would have to pay if the lender requested or agreed to the early repayment of the loans.

Financial Assets

The fair value is the same as the carrying amount because the Council's investment portfolio includes fixed rate investments where the interest receivable is identical to the rates available for similar loans at the Balance Sheet date.

d) Nature and Extent of 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 commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

The Council's annual treasury management strategy focuses on those 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 covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

i) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score for a short term rating of F1 and for deposits in excess of three months, a minimum long term rating of AA. The Council has a policy of not lending any more than £4 million of its surplus balances to one institution at any one time.

Customers are encouraged to pay up front and the financial position and past experience of customers is monitored.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last three financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
	A	B	C	(A X C)
Deposits with banks and financial institutions	14,384	0	0	0
Customers (Debtors)	3,780	1.2	2.5	95
				95

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits with banks and financial institutions.

The debt outstanding in respect of customers considered as part of the credit risk analysis relates to contractual debt and forms part of the total debtors figure within the balance sheet. The figure for customers' debt is derived as follows:

	£'000	£'000
Long Term Debtors		138
Debtors (Gross)	9,484	
Payments in advance	(455)	9,029
		9,167
Non contractual debtors		(5,387)
		3,780

The Council makes provision to cover potential bad debts within its accounts. The level of provision at 31 March 2009 is as follows:

	£'000
Balance at 1 April 2008	118
Reduction in required provision	30
Balance at 31 March 2009	88

The Council generally expects its customers to settle outstanding accounts within 28 days. £751,000 of the outstanding debt is past its due date for payment. The aged debt analysis of this debt is as follows:

	£'000
1 to 6 months	359
6 to 12 months	56
Over 12 months	336
	751

ii) Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy adopted to manage the position is to ensure a smooth maturity profile through a combination of careful planning of new loans taken out and, (where it is economic to do so), making early repayments, or rescheduling.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than 1 year - Creditors	3,527
- Borrowings	590
Between 1 and 2 years -	107
Between 2 and five years	131
Between 5 and 10 years	310
More than 10 years	15,626
	20,291

All trade and other payables are due to be paid in less than one year.

iii) Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Impact and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Investments managed in house 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 Income and Expenditure Account or the STRGL. Movements in the fair value of externally managed investments will, however, be recognised in the Income & Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The policy operated is to aim to permit up to a maximum of 100% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed loan rates may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Council undertakes its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assess interest rate exposure to feed into the budget process and which is used to update the budget throughout the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2009, if interest rates had been 1% higher than the average of all variable rates, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(9)
Impact on Income & Expenditure account	(9)
Increase/(Decrease) in fair value of fixed rate borrowings (no impact on I & E account or STRGL)	(3,404)

Although interest rates are at a historical low, the financial impact of a 1% fall in rates would be:

	£'000
Decrease in interest payable on variable rate borrowings	0
Decrease in interest receivable on variable rate investments	9
Impact on Income & Expenditure account	9
Increase/(Decrease) in fair value of fixed rate borrowings (no impact on I & E account or STRGL)	4,567

30. Pensions

Participation in Pension Schemes

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Cumbria County Council. This is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The difference in valuing these investments on this basis is only 0.19% and as this is immaterial, the previous years (07-08) figures have not been restated.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when it is earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

Local Government Pension Scheme		
Income and Expenditure Account	2008/09 £'000	2007/08 £'000
Net Cost of Services		
current service cost	(1,208)	(1,086)
past service costs	0	(323)
curtailment costs	(35)	(65)
Net Operating Expenditure:		
interest cost	(3,900)	(3,088)
expected return on assets in the scheme	2,814	2,895
Net Charge to the Income and Expenditure Account	(2,329)	(1,667)
Statement of Movement on the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS17	2,329	1,667
Actual amount charged against the General Fund Balance for pensions in the year		
employers' contributions payable to scheme	(1,377)	(1,493)

In addition to the recognised gains and losses included in the income and expenditure account, actuarial gains of £2,025,000 were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £2,074,000.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme		
	2008-09 £'000	2007-08 £'000
1 April 08	64,329	57,394
Current Service Cost	1,208	1,086
Interest Cost	3,900	3,088
Contributions by scheme participants	432	403
Actuarial Gains / Losses	(13,136)	3,868
Benefits Paid	(2,414)	(1,898)
Past Service Costs	35	388
31 March 09	54,354	64,329

Reconciliation of present value of the scheme assets:

Local Government Pension Scheme		
	2008-09 £'000	2007-08 £'000
1 April 08	45,117	45,921
Expected rate of return	2,814	2,889
Actuarial gains and losses	(11,111)	(3,691)
Employer contributions	1,377	1,493
Contributions by scheme participants	432	403
Benefits Paid	(2,414)	(1,898)
31 March 09	36,215	45,117

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 redemptions 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 the scheme plan assets is (£8,207,000) in 2008-09 (£179,000 in 2007-08.)

Scheme History

	Local Government Pension Scheme				
	2008-09	2007-08 as restated	2006-07 as restated	2005-06	2004-05
Present value of liabilities	54,354	64,329	57,394	57,889	51,500
Fair value of assets	36,215	45,027	45,921	43,982	36,693
Surplus / (deficit) in the scheme	(18,139)	(19,302)	(11,473)	(13,907)	(14,807)

The Council has elected not to restate fair value of scheme assets for 2004-5 and 2005-06 as permitted by FRS 17 (revised).

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £18.1 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Under Statutory arrangements, the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Cumbria County Council Pension Scheme by the Council in the year to 31 March 2010 is £1.35 million.

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 County Council Fund liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme at 31 March 2007.

The principal assumptions used by the actuary have been

Local Government Pension Scheme		
	2008-09	2007-08
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Government Bonds	4.0%	4.6%
Other Bonds	6.0%	6.1%
Property	6.5%	6.5%
Cash / Liquidity	0.5%	5.25%
Other	7.5%	7.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
- Men	21.2 yrs	21.1 yrs
- Women	24.0 yrs	24.0 yrs
Longevity at 65 for future pensioners:		
- Men	22.2 yrs	22.2 yrs
- Women	25.0 yrs	25.0 yrs
Rate of inflation	3.3%	3.6%
Rate of increase in salaries	5.05%	5.35%
Rate of increase in pensions	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%
Take up of option to convert annual pension into retirement lump sum	50% take max cash, 50% take 3/80 th cash	50%

The County Council Pension Fund assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme		
	2008-09	2007-08
Equity investments	49.7%	54.9%
Government Bonds	20.5%	19.9%
Other Bonds	8.9%	10.3%
Property	6.3%	7.3%
Cash / Liquidity	2.3%	4.6%
Other	12.3%	3.0%
TOTAL	100.00%	100.00%

The latest notified market value of total fund assets is £992 million, (£1,194 million at last valuation).

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008-09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	Local Government Pension Scheme				
	2008-09	2007-08 as restated	2006-07 as restated	2005-06	2004-05
Differences between the expected and actual return on assets	(30.4)%	(8.4)%	0.6%	12.8%	3.6%
Experience gains and losses on liabilities	(24.2)%	6.0%	0.0%	1.2%	0.4%

Further information can be found in Cumbria County Council's Superannuation Funds Annual Report which is available upon request from the Treasurer's Department, The Courts, Carlisle, Cumbria, CA3 8NA.

31. Interest in Companies

At 31 March 2009 the Council owned 9.5% of the Share Capital of Maryport Development Limited, a company engaged upon the economic regeneration of the town of Maryport. The accounts of that company, (which carry an unqualified audit report), made up to 31 March 2008, show a profit for the year of £245,777 (accumulated losses £961,807), and net liability amounting to £253,349.

The accounts for the period to 31 March 2009 are not yet available.

A copy of the accounts of Maryport Development Limited, may be obtained from:

The Company Secretary
Maryport Development Company
Project Office
Maryport Harbour
Maryport
Cumbria
CA15 8AE

32. Trust Funds

The Council has stewardship and trustee responsibilities for various funds. These funds do not represent assets of the Council and are not included in the Balance Sheet. They are summarised below:

	2008/09			2007/08
	Expenditure £	Income £	Closing Balance £	Closing Balance £
Harrington Harbour & Dock Board	0	(1,353)	(38,730)	(37,377)
Hugh Barbour Bequest	0	(292)	(8,364)	(8,072)
George Moore Memorial Trust	45	(60)	(1,864)	(1,849)
Helena Thompson Museum	3,367	(547)	(12,284)	(15,104)
	3,412	(2,252)	(61,242)	(62,402)

The purpose of the funds is given below.

Harrington Harbour & Dock Board The trust exists to keep the harbour in good and substantial repair and condition.

Hugh Barbour Bequest The trust exists to follow the outline of the bequest.

George Moore Memorial Trust The trust exists to keep in good and substantial repair and condition the George Moore Memorial Drinking Fountain, its pipes and apparatus. The trust also benefits the Bible Society.

Helena Thompson Museum The trust exists to maintain in good repair and condition the museum property, to support the purchase of antiques and articles of local interest for the museum and to fund the general expenses of the museum.

33. Contingent Assets and Liabilities

Home Housing Association

During 1987 the Council entered into a joint scheme with Home Housing Association to secure the development of five sites in Workington, Silloth, Cockermouth and Keswick for houses to rent. Home Housing Association has, in three tranches, raised £100 million of stock which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors, all participating authorities 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 to fund the development programme. There are nineteen authorities participating in the scheme. The total liability to be guaranteed by participating authorities will be £100 million. This will continue in force until 2037 when the loan stock falls due to be repaid.

The strict liability of each authority under guarantee would be £100 million and, because the liability is joint and several, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee. 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 the 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. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on. The latest schedule of guarantee levels indicates the Council's Estimated Development Expenditure at £4,106,000 from an overall total of £84,100,000.

Municipal Mutual Insurance

In 1992-93 the Council's insurers, Municipal Mutual Insurance (MMI), ceased trading and entered into a scheme of arrangement. This arrangement enabled MMI to continue to deal with and pay liability claims arising from incidents up to 1993 with the aim of achieving a solvent run off. Under the scheme of arrangement if a solvent run off is not achievable a percentage of claims payments made since 1993 could not be clawed back by MMI. A Reserve of £100,000 was created in 1993-94 to meet any potential claim costs not met by MMI and clawback payments made.

The latest indications are that a solvent run-off will be achieved. However, in the event that it is not, potential liabilities remain in respect of: one claim received during 2008/9 with an outstanding estimated cost of £10,400, if not met by MMI; potential clawback estimated at 20% of net claim payments totalling £330,000 made by MMI since 1993; and the cost of any new claims which may arise, should this not be met by MMI.

Workington Town Centre Development

In 2001, the Council entered into an agreement with S Harrison Developments Ltd for the redevelopment of Workington Town Centre. As part of that agreement, acquisition costs of the former centre properties were estimated at £3.9 million, with £2.3 million to be met by the developer and an additional £2 million made available by North West Developments Ltd, as part of their financial support for the scheme. Any additional costs above the £4.3 million limit are the responsibility of the Council. Negotiations are still being undertaken regarding compensation payments on a number of properties. The latest available information indicates a potential cost to the Council of £294,000 in respect of these costs. There is currently no liability to meet the costs, as the compensations payments to tenants due to be met by the developer have not reached their maximum threshold.

Tesco Ltd

In 2005, the Council agreed to the sale of land to Tesco Ltd to facilitate the development of a new store. Intrinsic to the arrangements was the repurchase of the lease to the current Tesco store by the Council. In consideration of the development, both sides to the agreement have exchanged deposits relating to the sales and the release of the monies is contingent upon the granting of planning permission to enable the sales to proceed to completion. This gives rise to a contingent asset to the Council in respect of the £900,000 deposit from Tesco Ltd and to a contingent liability in respect of the £275,000 deposited by the Council. In January 2008, the Council granted planning permission to Tesco Ltd in respect of the proposed development, subject to a successful Section 106 Agreement being achieved. The terms of the Section 106 Agreement were approved by both parties in September 2008, however, the agreement lies unsigned at this stage and the Council remains in discussion with Tesco Ltd over the sale.

34. Notes to Cash Flow Statement

34.1 Reconciliation between net deficit on Revenue Accounts and the revenue activities Net Cash Flow

	£'000	£'000
Total (Surplus)/Deficit on all Revenue Accounts:		
Income and Expenditure Account (Surplus)/Deficit	5,271	
Collection Fund (Surplus)/Deficit	(23)	5,248
Non-Cash Transactions		
Net charges made for retirement benefits	(2,329)	
Net gain on sale of fixed assets	63	
Appropriations (to)/from Pensions Asset/Liability Account	1,377	
Amortisation of intangible fixed assets	(159)	
Depreciation and impairment of fixed assets	(2,451)	
Amortisation of Government Grants	477	(3,022)
Debtors and Creditors		
Net Movement in revenue debtors and creditors		(1,432)
Stocks and Provisions		
General Provisions	(1,186)	
Provision for Bad Debts		
Movement in Stocks	6	(1,180)
Items classified in another category in Cash Flow Statement		
Net interest paid	(850)	
Net interest received	1,272	422
Net Cash Flow from Revenue Activities		36

34.2 Reconciliation of Net Cash Flow to Movements in Net Debt:

	£'000
Increase/(Decrease) in Cash in the Period	3,191
Cash Inflow/Outflow from decrease/increase in Liquid Resources	(9,498)
Cash Inflow/Outflow from decrease/increase in Debt and Deferred Purchase Financing	7,625
	1,318
Net Funds at 31 March 2008	(2,637)
Net Debt at 31 March 2008	(1,319)

34.3 Reconciliation of Liquid Resources to the opening and closing Balance Sheets:

	Balance At 01.04.08 £'000	Cash Flow £'000	Balance At 31.3.09 £'000
Cash at bank and in hand:			
(Overdrafts)/In hand	(1,329)	1,555	226
Call Deposits	805	1,635	2,440
	(524)	3,190	2,666
Debt due within 1 year	(5,945)	5,590	(355)
Debt due after 1 year	(18,209)	2,035	(16,174)
Current Asset Investments	22,041	(9,498)	12,543
Total	(2,637)	1,318	(1,319)

34.4 Liquid Resources

Liquid Resources, (Short Term Investments), includes Certificates of Deposit, Government Securities and other short term deposits used as part of the Authority's treasury management arrangements.

34.5 Analysis of Government Grants Received:

£'000		£'000
879	Housing Benefit Administration	854
14	Housing Benefit Fraud investigation grant	0
63	Housing Benefit	59
6,058	Council Tax Subsidy	6,328
0	Smoke Free grant	24
12	Elections	0
2	SHG transitional grant	
60	Homelessness	0
111	Local Housing Allowance	0
55	Housing market renewals	0
0	DWP ESA grant	33
176	NNDR Cost of Collection Allowance	182
11	Homelessness prevention	44
2,175	Housing regional Pot allocation	1,797
310	Disabled Facilities Grant	405
243	Planning Development Grant	81
0	Concessionary Travel Grant	512
814	Local Area Agreement / Area Based Grant	436
	LABGI	541
10,983		11,296

35. Capital Receipts arising other than from Disposal of Fixed Asset

Statutorily defined capital receipts that do not arise from the disposal of a fixed asset are credited to the Income and Expenditure Account, as Other Gains, with a consequent credit to the Capital Receipts Reserve from the General Fund Balance and are shown as a reconciling item on the Statement of Movement on the General Fund Balance.

36. Post Balance Sheet Event

Since the date of approval of the draft financial statements, revaluation work on the Council's assets has identified material differences between the carrying values of some groups of assets at that date and their current values following revaluation. The revaluations indicate an understatement in the value of the Council's assets at 31 March of £10.38 million. The accounts have been amended to reflect these differences.

Collection Fund

Income and Expenditure Account 2008/09

2007/08 £'000		2008/09 £'000	2008/09 £'000	Note
	Income			
38,986	Council Tax		40,612	2
6,134	Transfers from General Fund - Council Tax benefits		6,435	2
20,182	Income collectable from business ratepayers		21,933	3
65,302			68,981	
	Expenditure			
	Precepts			4
34,200	Cumbria County Council	35,638		
5,467	Cumbria Police Authority	5,751		
5,103	Allerdale Borough Council	5,388	46,778	
	Business Rates			3
20,006	Payment to National Pool	21,756		
176	Cost of Collection Allowance	177	21,933	
	Bad and doubtful debts/appeals			
125	- Write offs		102	
200	- Provisions		51	
65,277			68,865	
25	Movement on fund balance - Surplus/(Deficit)		116	5
516	Surplus as at 1 April		624	
541	Surplus as at 31 March		740	5

Notes to Collection Fund Account

1 General

These accounts represent the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Cumbria Police Authority and Allerdale Borough Council for the forthcoming year and dividing this by the Council Tax Base. The Council Tax Base represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, (31,799 for 2008/09), having taken account of the estimated collection rate for the year, (97.5% for 2008/9). The basic amount of Council Tax for a Band D property, (£1,427.67 for 2008/09), is multiplied by the proportion specified for the particular band to give an individual amount due.

The following table shows the Band D Equivalent Chargeable Dwellings, the Tax Base and the basis of Council Tax bills for Bands A to H, taking account of the relevant proportion of Band D for each band:

	Proportion of Band D	Basic amount of Council Tax £'000	Band D Equivalent number of Chargeable Dwellings
Band A	6/9	951.78	12,385
Band B	7/9	1,110.41	4,883
Band C	8/9	1,269.04	5,520
Band D	9/9	1,427.67	4,557
Band E	11/9	1,744.93	3,107
Band F	13/9	2,062.19	1,406
Band G	15/9	2,379.45	728
Band H	18/9	2,855.34	29
Equivalent Chargeable Dwellings			32,615
Tax Base: 97.5% of Chargeable Dwellings			31,799

The income of £47,047,158 for 2008/09 is receivable from the following sources:

	£
Billed to Council Tax payers	40,612,361
Council Tax Benefit	6,434,797
	47,047,158

3 National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. From 1 April 2008, there were two poundages, namely the basic 46.2p, (44.4p in 2007/08), and 45.8p, (44.1p in 2007/08), for properties subject to small business rate relief. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income, after reliefs and provisions, of £21,933,474 for 2008/09, was based on a total rateable value as at 31 March 2009, for the Council's area, of £55,098,286, (£54,705,041 in 2007/08).

4 Precepts and Demands

The amount shown below represents the precepting authorities' demands on the Collection Fund:

	£
Cumbria County Council	35,638,360
Cumbria Police Authority	5,750,878
Allerdale Borough Council	5,388,400

5 Contributions to Collection Fund Surpluses and Deficits

The balance carried forward relating to Council Tax, (£740,472), will be distributed to the precepting authorities as follows:

	£
Cumbria County Council	565,663
Cumbria Police Authority	90,422
Allerdale Borough Council	84,387

There is a variance between the Collection Fund surplus at 31 March 2008 and the surplus at 1 April 2008 of £83,000. The difference relates to the accounting treatment of an NNDR debtor originating from 2005/6. The correction of the understatement of that debtor was incorrectly adjusted against Council Tax Debtors, thereby causing an understatement of the surplus on the Collection Fund in 2006/7. This position has been corrected in the presentation of the 2008/9 Collection Fund surplus.

Annual Governance Statement 2008/9

1 Scope of responsibility

- 1.1 Allerdale Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Allerdale Borough 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.
- 1.2 In discharging this overall responsibility, Allerdale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and making arrangements for the management of risk.
- 1.3 Allerdale Borough 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 is on our website at <http://www.allerdale.gov.uk/council-and-democracy/councillors-democracy-election/policies-and-plans.aspx> . This statement explains how Allerdale Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

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

- 2.2 The system of internal control is a significant part of that 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 only provide 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 Allerdale Borough 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.
- 2.3 The governance framework has been in place at Allerdale Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3 Application of Governance Principles

- 3.1 The Council has reviewed its principal statutory obligations and objectives to ensure that:
- There is a mechanism in place to identify principal statutory obligations.
 - There is a mechanism in place to establish organisational objectives.
 - Effective corporate governance arrangements are embedded within the authority.
 - Performance management arrangements are in place.
- 3.2 The Council has reviewed its core principles, set out in its code of governance, and addressed the supporting principles as follows:

Focussing on the purpose of the authority and on outcomes for the community, including citizens and service users, and creating and implementing a vision for the local area:

The Council has:

- a. made a clear statement of the authority's purpose and vision in the three year Corporate Improvement Plan and will use it as a basis for corporate and service planning and shaping the community strategy and local area agreements;
- b. reviewed on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements;
- c. published an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- d. given consideration to improvements in processes to assess how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;
- e. established a process to assess how value for money is to be measured and ensure that the information needed to review value for money and performance effectively is available;

- f. initiated a review of the business impact assessment process, updated its crisis management plan and produced a corporate strategy for business continuity management
- g. refreshed its partnerships directory to ensure that records are up to date and made plans to review and update the framework supporting partnerships, to provide for a common vision underpinning the work of the partnership that is understood and agreed by all partners..

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

The Council has:

- a. set out a clear statement of the respective roles and responsibilities of the Council's Executive committee and its members, and the authority's approach towards putting this into practice;
- b. set out a clear statement of the respective roles and responsibilities of the Council's other committees, members and senior officers;
- c. developed arrangements to ensure effective communication between members and officers in their respective roles;
- d. ensured that regular, recorded meetings between the Leader and Chief Executive take place and put in place plans to develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- e. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel;
- f. ensured that its vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- g. when working in significant partnerships: ensured that there is clarity about the legal status of the partnership; ensured that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability; and ensured that Allerdale representatives make clear to partners the extent of their authority to bind their organisations to partner decisions
- h. ensured that effective mechanisms exist to monitor service delivery;
- i. determined a scheme of delegated and reserved powers within the constitution and ensured that it is monitored and updated when required;
- j. ensured that effective management arrangements are in place at the top of the organisation;
- k. made the Chief Executive responsible and accountable to the authority for all aspects of operational management;
- l. made a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- m. made a senior officer (the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

Promoting the values of the authority and demonstrating the values of good governance through behaviour:

The Council has:

- a. developed and maintained shared values, including leadership values, both for the Council and its staff, reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council.
- b. used the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- c. developed and adopted formal codes of conduct defining standards of personal behaviour;
- d. developed and maintained an effective standards committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- e. put in place arrangements to ensure that members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
- f. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice;
- g. in pursuing partnerships, agreed a set of values against which decision making and actions can be judged in line with, having referred to the Partnership Working Framework.

Taking informed and transparent decisions that are subject to effective scrutiny and risk management:

The Council has:

- a. developed and maintained an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- b. developed and maintained open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- c. put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- d. put in place arrangements for whistle blowing to which staff and members have access, and made provision for all those contracting with the authority within standard tender documentation.;
- e. put in place effective, transparent and accessible arrangements for dealing with complaints;
- f. developed and maintained an effective audit committee which is independent of the executive and scrutiny functions;
- g. developed and maintained an effective standards committee which lies at the heart of decision making and awareness raising on standards issues;

- h. ensured that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- i. developed effective arrangements for determining the remuneration of senior staff;
- j. ensured that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;
- k. ensured that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- l. actively recognised the limits of lawful activity placed on them by the ultra vires doctrine but also strived to utilise its powers to the full benefit of its communities;
- m. observed all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular integrated the key principles of administrative law – rationality, legality and natural justice, into its procedures and decision making;
- n. when working in significant partnerships, put in place protocols for working together which include a shared understanding of the respective roles and responsibilities of each organisation;
- o. when working in significant partnerships, ensured that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership;
- p. when working in significant partnerships, ensured that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality.

Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively:

The Council has:

- a. assessed the skills required by members and officers and made arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- b. ensured that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority;
- c. provided induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;
- d. developed skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed, in line with the member development strategy;
- e. put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;

- f. begun to develop career structures for leading members and officers to encourage participation and development;
- g. when working in partnership, ensured that partners individually, and the partnership collectively, share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level.

Engaging with local people and other stakeholders to ensure robust local public accountability:

The Council has:

- a. made clear to itself, all staff and the community, to whom it is accountable and for what;
- b. considered those institutional stakeholders to whom it is accountable and assessed the effectiveness of the relationships and any changes required;
- c. established clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- d. put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements have recognised that different sections of the community have different priorities and have established explicit processes for dealing with these competing demands;
- e. published an annual report giving information on the authority's vision, strategy, plans and financial statements, as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;
- f. put in place effective systems to protect the rights of staff and ensured that policies for whistle blowing, which are accessible to staff and members, and guidance for those contracting with the authority, together with arrangements for the support of whistle blowers, are in place;
- g. developed and maintained a clear policy on how staff and their representatives are consulted and involved in decision making;
- h. developed an annual report on scrutiny function activity;
- i. ensured that the authority as a whole is open and accessible to the community, service users and its staff and ensured that it made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;
- j. when working in partnership, ensured that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes, using existing mechanisms and groups where appropriate.

3.3 To identify the principal risks to the achievement of its objectives, the Council has reviewed the systems and processes in place for the identification and management of strategic and operational risk.

3.4 To identify and evaluate the key controls to manage the principal risks, the Council has reviewed its system of internal control, including systems and procedures to mitigate principal risks.

- 3.5 To obtain assurance on the effectiveness of key controls, the Council has obtained assurance statements from appropriate internal and external assurance providers.
- 3.6 The Council has made arrangements to evaluate assurances and identify gaps in the controls and assurances.

4 Review of effectiveness

- 4.1 Allerdale Borough 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 corporate management team within the authority, who have responsibility for the development and maintenance of the governance environment; the Internal Audit Manager's annual report, (Appendix 1); and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The main role in maintaining and reviewing effectiveness is through the Audit Committee, which has responsibility to provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process, including the operations of Internal Audit.

Other key roles are undertaken by:

Council

The Council is responsible for adopting the authority's constitution, including codes of conduct, approving the policy framework and approving and monitoring the authority's overall framework of accountability and control.

Executive

The Executive is responsible for discharging Executive functions in accordance with the policy framework and budget, also for approving the authority's risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

Scrutiny Committees

The Scrutiny Committees are responsible for scrutinising policies and performance.

Standards Committee

The Standards Committee is responsible for promoting and maintaining standards of conduct.

Corporate Management Team

In 2008/09, CMT consisted of the Chief Executive and Directors, which included the Monitoring Officer. The Section 151 Officer provided advice when required on financial matters. The Chief Executive and Directors are responsible for ensuring that adequate and effective systems of internal control are operated.

Internal Audit

The Director of Strategic Resources holds delegated responsibility from the Council for the internal audit function, which is exercised through the Internal Audit service.

An effective audit of the Council's accounting records and control systems, in accordance with the Accounts and Audit Regulations 2006, is maintained through this means. The level and type of audit cover has regard to the characteristics and relative risks of the activities involved and supports the work of the external audit service.

External Audit

The external audit work of the Council is undertaken by the Audit Commission, the main duties being governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. Close liaison with the external auditor offers a degree of assurance on the authority's arrangements for managing risk and its control systems, and through this means strengthens governance arrangements.

Risk Management and Safety Group

This group consists of a corporate wide group of officers. It's remit is to provide a framework to assist in the identification and effective management of operational risks, in the embedding of risk management strategy and in advising on the management of risks.

Governance Group

The Council's Governance Group consists of a corporate group of officers with responsibilities that feed into the Council's control environment. The group meets throughout the year to assess the processes in place which provide the supporting information necessary to produce a Governance statement and to review progress on actions planned to address improvements in governance arrangements.

- 4.3 In drawing up the statement, advice has been obtained on any issues identified by the various contributory parties to the review of the effectiveness of the governance framework, as set out above. Any significant issues are set out below, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant governance issues and planned improvements

- 5.1 Through the review of effectiveness of the Council's governance framework a number of areas for improvement have been identified.
- 5.2 It is proposed to address those matters considered to be significant to further enhance the Council's governance arrangements over the coming year. It is believed that this action will satisfy the need for improvements that were identified in the review of effectiveness and their implementation will be monitored and reviewed.
- 5.3 A number of actions were identified following the review conducted in respect of 2007/8 and progress on these was monitored throughout 2008/9. Although progress has been made in addressing these, some outstanding issues remain and these have been retained within the 2008/9 Action Plan.

6. Action Plan

- 6.1 Significant identified governance issues are outlined in the following table, along with proposed actions to be taken to address these in 2009/10.

	Issue	Action	Timescale	Responsible officer
1	<p>Corporate Risk Management</p> <p>The Council does not have a corporate risk management board. It has a Risk Management and Safety Group but this has no specific remit to address corporate risk issues and strategies. The 2007 Risk Management Audit Report highlighted that there are recommendations outstanding from the Marsh benchmarking report, including wider roles for the Risk Management and Insurance Officer and the Risk Management Group.</p>	<p>CMT have considered the position and have delegated responsibility to Heads of Service to critically review the action plan within the Marsh benchmarking report and draft a new action plan for outstanding issues.</p>	<p>March 2010</p>	<p>Director of Strategic Resources</p> <p>Heads of Service</p>
	Issue	Action	Timescale	Responsible officer
2	<p>Business Continuity</p> <p>Business Continuity management arrangements have been updated to reflect the recent changes in systems and procedures within the Council. The Business Continuity Group established as a part of these arrangements needs to organise the development of the Council's business impact assessment process.</p>	<p>Develop business impact assessment process, utilising risk assessment work undertaken as a part of the transformation process.</p>	<p>March 2010</p>	<p>Head of Environment</p>
3	<p>Succession Planning</p> <p>Arrangements have not been completed for all departments.</p>	<p>Ensure that succession planning is updated and completed for all departments following transformational arrangements.</p>	<p>March 2010</p>	<p>Head of Human Resources in conjunction with Service Managers</p>

	Issue	Action	Timescale	Responsible officer
4	<p>Management and monitoring of partnership working</p> <p>Whilst the Council does have comprehensive and clearly defined governance arrangements for its significant partnerships further development of the Council's management and monitoring of partnership working is required, including partnership risk registers.</p>	<p>Ensure that partnerships are reviewed in the line with the Council's Partnerships Framework, following a prioritised programme.</p> <p>Continue with the annual review of the directory and ensure that partnership risk registers are reviewed and a programme is agreed for their updating and maintenance.</p>	Sept 2009	Partnerships Officer
5	<p>Value for Money</p> <p>Corporate Linkages between equality and cost of services are undeveloped.</p>	VFM assessments for all key services are to be introduced, in order to support alignment of cost and performance, through the VFM strategy.	Dec 2009	Head of Corporate Services
6	<p>Leader and Chief Executive Protocol</p> <p>Whilst regular meetings take place between the Leader of the Council and the Chief Executive, from which action notes are produced, there is a need to develop a shared protocol and document the agreed working relationship.</p>	Develop a shared protocol, setting out the respective roles which each undertakes to adhere to and the means by which that working relationship will be maintained.	July 2009	Acting Democratic Services Coordinator
7	<p>Risk Management Communication</p> <p>Effective communication of risk management issues requires improvement.</p>	Develop an intranet site through which risk management arrangements and issues can be communicated.	Dec 2009	Risk management and Insurance Officer
8	<p>Manager Assurances</p> <p>Analysis of the Manager Assurances review conducted in respect of 2008/9 indicates some areas of concern, based on awareness or compliance with various policies.</p>	Review with relevant Service Managers to address shortfalls with staff.	March 2010	Heads of Service
9	<p>Health and Safety in Partnership Working</p> <p>The Council's Health and Safety Partnership Working framework has no specific reference to partnership working.</p>	Review the Council's arrangements for health and safety in relation to consultation and co-operation with partners and major contractors.	Oct 2009	Safety Officer

7 Conclusions

7.1 We are satisfied that the steps outlined in the above action plan will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:


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Leader of Allerdale Borough Council

Date:

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18-6-09

Signed:


.....
Chief Executive

Date:

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18/6/09

Appendix 1

Compliance with the Delivering Good Governance in Local Government Framework in 2008/09 Allerdale Borough Council – Internal Audit

1.0 Introduction

- 1.1 The Council adopted the Good Governance Standard for Public Services in 2005. The standard provided a national framework for assessing good governance practice. CIPFA/SOLACE has now published an update to the above standard – a Framework for Delivering Good Governance in Local Government – to make the original standard directly relevant to Local Government. Internal Audit is required to carry out an annual independent review, to provide assurance on the adequacy and effectiveness of corporate governance arrangements and the extent of compliance with the approved standard.
- 1.2 During the financial year 2008/9 Internal Audit have not performed an independent review of the overall corporate governance arrangement, however the Internal Audit Manager is a member of the Council's Corporate Governance working group and as such has been able to maintain a 'hands on' approach in establishing that adequate arrangements are in place and that appropriate action has been taken in respect of the action plan devised as a result of drafting the 2007/8 Corporate Governance Statement. A full Internal Audit review of Corporate Governance will be undertaken within quarter one of Internal Audit's 2009/10 annual plan. In addition, reviews will also be undertaken, as part of the 2009/10 annual plan, covering Data Quality, National Indicators and Risk Management.
- 1.3 Internal Audit have reviewed all the Council's material systems as part of their 2008/9 annual plan and these reviews have assisted in informing the Internal Audit Manager's opinion on the adequacy of the arrangements in place for the delivery of good governance.

2.0 Key Findings

- 2.1 Within the CIPFA/SOLACE framework there are several new requirements of the Council. These relate to:
 - Ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.
 - Putting in place effective arrangements to identify and deal with failure in service delivery.
 - Measuring the environmental impact of policies, plans and decisions.
 - Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
 - Making a Chief Executive responsible and accountable to the authority for all aspects of operational management.

Appendix 1

Compliance with the Delivering Good Governance in Local Government Framework in 2008/09 Allerdale Borough Council – Internal Audit

- Developing protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.
- When working in partnership:
 - Ensure there is clarity about the legal status of the partnership.
 - Ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
- Developing and maintaining an effective Standards Committee.
- In pursuing the vision of a partnership, agreeing a set of values against which decision-making and actions can be judged.
- Developing and maintaining an effective scrutiny function, which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.
- Developing and maintaining an effective Audit Committee, (or equivalent), which is independent of the Executive and scrutiny functions, or making other appropriate arrangements for the discharge of the functions of such a committee.
- Using their legal powers to the full benefit of the citizens and communities in their area.
- Actively recognising the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also striving to utilise their powers to the full benefit of their communities.
- Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on authorities by public law.
- Observing all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular integrating the key principles of good administrative law, rationality, legality and natural justice into their procedures and decision-making processes.

2.2 The 2007/08 Corporate Governance statement identified some areas for development within Allerdale Borough Council to assist the organisation meeting the new requirements identified in the CIPFA/SOLACE framework.

Appendix 1

Compliance with the Delivering Good Governance in Local Government Framework in 2008/09 Allerdale Borough Council – Internal Audit

In order that these were appropriately addressed an action plan was devised, including the time frame and officer responsible for implementation. The action plan included the following areas:

- Procedures for monitoring legislative change and dissemination of information
- Corporate Risk Management
- Risk management training
- Business Continuity
- Succession Planning
- Management and monitoring of partnership working
- Whistle blowing policy
- Theft, fraud and corruption plan
- Register of gifts and hospitality
- Value for Money.

2.3 Although it is pleasing to report that a number of the actions have been fully implemented there are still some actions which remain outstanding or have only been partly implemented. These are mainly within the risk management and partnership areas. These areas, plus other areas identified for development by the Corporate Governance group, will be included in the action plan that will form part of the 2008/09 Corporate Governance Statement.

3.0 Conclusion

3.1 From the evidence gathered by the Corporate Governance working group, the internal control statements completed by Service Managers and the work undertaken by the Internal Audit Section throughout the year, it is my considered opinion that the overall control environment within the Council, in order to fulfil the corporate governance arrangements for Delivering Good Governance in the Local Government Framework, is good, which is an improvement from the opinion of 'effective' within the 2007/08 report. However, it must be noted that within the area of Risk Management the control can only be given an opinion of effective.

Steve McMahon
Internal Audit Manager

May 2009