



Statement of Accounts

Year ending 31 March 2007

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

Opinion on the Financial Statements

I have audited the financial statements of Allerdale Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the 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 financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Allerdale Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not 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 financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.



Mark Heap
District Auditor
Audit Commission
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

28 September 2007

Allerdale Borough Council

Statement of Accounts 2006-07

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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 2007 and gives details of the Council's expenditure and income for the 2006-07 financial year. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting.

The following statements are shown:

- **Statement of Accounting Policies** – explains the basis on which the Accounts have been prepared.
- **Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of Allerdale Borough Council and of the Head of Finance.
- **Core Financial Statements**
 - i) **Income and Expenditure Account** – summarises the resources that have been generated and consumed in providing services and managing the Council during the year.
 - ii) **Statement of Movement on the General Fund Balance** – 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** – brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.
 - iv) **Balance Sheet** – portrays the Council's overall financial situation as at 31 March 2007, comprising 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** – summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- **Supplementary Financial Statements**
 - i) **Collection Fund** – 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.
- **Statement of Internal Control** – sets out the arrangements put in place by the Council to administer internal control.

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
- Collection Fund, consisting of:
 - i) Collection Fund surpluses, arising from better than expected collection rates.
 - ii) Council Tax, collected from the borough's residents.

2.2 The General Fund revenue budget for Allerdale's services was set at £14.0 million, (February 2006), taking into account a contribution of £0.5 million anticipated from Balances. In addition, supplementary estimates to the value of £256,000 were subsequently agreed during the year. Actual expenditure was £13.9 million with a contribution from Balances of £0.7 million.

2.3 The table below shows how actual expenditure for 2006-07 compared to budget, together with where the expenditure was met from:

| | Budget £000 | Actual £000 | Variance £000 | |
|-----------------------------|----------------|----------------|------------------|-------------|
| Expenditure | | | | |
| Net Expenditure on Services | | 14,709 | 14,629 | (80) |
| Contribution from Balances | | (758) | (696) | 62 |
| | | 13,951 | 13,933 | (18) |
| Net Parish Precepts | | 845 | 845 | 0 |
| | | 14,796 | 14,778 | (18) |
| Financing | | | | |
| Government Grants | | | | |
| National Non-Domestic Rates | | 8,327 | 8,324 | (3) |
| Revenue Support Grant | | 1,607 | 1,592 | (15) |
| Collection Fund | | | | |
| Collection Fund Surpluses | | 14 | 14 | 0 |
| Council Tax | | 4,848 | 4,848 | 0 |
| | | 14,796 | 14,778 | (18) |

2.4 The Council is in a sound financial position, with General Fund Balances of £5.1 million at 31 March 2007, (£5.8 million at 31 March 2006). The Council's policy is to apply its balances in support of its corporate objectives.

2.5 The 2006/7 accounts include a number of changes in accounting policy introduced through the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006 (the SORP):

a) The Consolidated Revenue Account (and the Statement of Total Movements on Reserves), has been disaggregated to produce:

- The Income and Expenditure Account.
- The Statement of the Movement on the General Fund Balance.
- The Statement of Total Recognised Gains and Losses.

b) Gains and losses on the disposal of fixed assets now have to be dealt with at the point of disposal and accounted for in the income and expenditure account.

c) Services revenue accounts no longer include debits for capital financing charges, (notional interest), but now receive credits for the amortisation of government grants deferred relating to assets used by the service.

2.6 The 2005/6 statements have been amended from the format originally prepared to be restated, taking account of the changes introduced by the SORP, to provide a comparative position for the 2006/7 statements. Further details are shown in note 1 to the core statements.

2.7 The accounts include some exceptional items resulting mainly from the Workington Town Centre development, further details of which are given in note 2 to the core statements.

3 Capital Expenditure

3.1 Capital expenditure covers expenditure on long term projects. The table below shows capital expenditure for all services in 2006-07 compared to budget, together with where the expenditure was met from

| | Original Budget £'000 | Revised Budget £'000 | Actual £'000 | Variance £'000 |
|-----------------------------------|--------------------------|-------------------------|-----------------|-------------------|
| Expenditure | | | | |
| Private Sector Housing | 1,998 | 3,800 | 3,739 | (61) |
| Leisure | | 694 | 559 | (135) |
| Economic Development and Property | 2,852 | 2,414 | 2,309 | (105) |
| Information Technology | | 80 | 55 | (25) |
| | 4,850 | 6,988 | 6,662 | (326) |
| Financing | | | | |
| Borrowing - Supported | | 2,239 | 2,238 | (1) |
| Borrowing - Unsupported | 180 | 243 | 210 | (33) |
| Grants | 3,992 | 3,310 | 2,870 | (440) |
| Capital Receipts | 370 | 125 | 125 | 0 |
| Revenue | 308 | 1,071 | 1,219 | 148 |
| | 4,850 | 6,988 | 6,662 | (326) |

4 Collection Fund

4.1 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.

4.2 For 2006-07 Band D Council Tax was set at £1,309.75, (excluding parish precepts), comprising the following:-

| | £ |
|---------------------------|-----------------|
| Allerdale Borough Council | 127.24 |
| Cumbria County Council | 1,019.43 |
| Cumbria Police Authority | 163.08 |
| | 1,309.75 |

5 Treasury Management

- 5.1 The Council used fund managers, (Scottish Widows Investment Partnership and Investec Asset Management), to manage the majority (£20 million), of the Council's cash balance. The remaining balance was managed in-house. During 2006/7, notice was given on the £10 million managed by Investec Asset Management and this is now also managed in-house.

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 2006/7 financial year and its position at the year end of 31 March 2007. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: 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.

2 Fixed Assets

Fixed Assets consist of both Tangible and Intangible Fixed Assets. Tangible Fixed Assets are those which have a physical substance, held for use in the provision of services or for administrative purposes on a continuing basis. Intangible Fixed Assets do not have a fixed substance but are identifiable and controlled by the Council and are capitalised when they will bring benefits to the Council for more than one financial year.

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Fixed Assets are valued on the bases recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. A full revaluation took place on 1 April 2004.

Fixed Assets are classified into the groupings required by the SORP and are valued on the following basis:-

- 2.1 **Operational Properties** are valued on the basis of open market value for the existing use, or where there is no market for the subject asset, the depreciated replacement cost.
- 2.2 **Non-operational Properties** are valued on the basis of open market value.
- 2.3 **Community Assets and Infrastructure Assets** are recorded in the accounts at historical cost, depreciated in the case of Infrastructure Assets.
- 2.4 **Plant and Vehicles** costing in excess of £10,000 when purchased are included in the Balance Sheet at estimated or actual cost less accumulated depreciation as at 31 March 2007.

2.5 **Intangible Assets** are valued on basis of cost of acquisition and depreciated over their estimated lives.

2.6 **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation. Provision for depreciation is made by allocating the cost, (or revalued amount), less the estimated residual value of assets, to the periods expected to benefit from their use.

Newly acquired assets are depreciated from the year following acquisition.

Depreciation is calculated using the straight line method.

2.7 **Charges to Revenue**

General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, support services and statutory 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.

Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. It is, however, required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, (at least 4% of the underlying amount measured by the adjusted Capital Financing requirement). Depreciation, impairment and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by the way of an adjusting transaction with the Capital Financing Account for the difference between the two.

2.8 **Impairment**

Any significant reduction in the value of assets is reflected in the accounts as an impairment loss.

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified, 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, the loss is written off against the Fixed Asset Restatement Account.

3 Deferred Charges

Deferred charges are payments of a capital nature where no tangible asset is created, but which may properly be financed over a period of years, and include renovation grants.

Deferred charges are written off in the year of expenditure to the relevant service revenue account. Where the Council has determined to meet the cost of the deferred charged from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

4 Capital Receipts

Amounts in excess of £10,000 are classified as capital receipts. They are credited to the Usable Capital Receipts Reserve and can only be used to finance new capital expenditure or set aside to reduce borrowing requirements. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Receipts from disposal are credited or debited to the Income and Expenditure Account as part of the gain or loss on disposal. This does not represent a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

5 Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the SORP. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. 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, and wages and salaries payments, which are charged in the year in which they are paid. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

6 Stocks and Work in Progress

All material held in stores of the Council at the year end is recorded at average cost price. This complies with the requirements of SSAP9 which requires stocks to be shown at the lower of actual cost or net realisable value. Work in progress is valued at cost.

7 Overheads and Support Services

The costs of overheads and support services are charged to benefiting services in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006.

Two exceptions are the costs associated with the Corporate and Democratic Core, (costs relating to the Council's status as a multi-functional democratic organisation), and Non-Distributed Costs, (discretionary benefits awarded to employees retiring early). Costs associated with those categories are accounted for as separate service headings in the Income and Expenditure Account.

8 Leases

Rentals payable under operating leases are charged to revenue on a straight line basis over the terms of the leases, which are equal to the terms of operating leases held.

9 Reserves

The Council maintains reserves for future policy purposes or to cover contingencies. A Capital Reserve is operated to finance capital expenditure without resort to external borrowing.

It is the Council's practice to include retention payments as capital expenditure and to credit a Contractors Retentions Reserve. At 31 March 2007 the balance of retentions was £108,000 (£141,000 at 31 March 2006).

The main balances in being as at 31 March 2007 are detailed in the notes accompanying the Accounting Statements.

10 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, but where the timing of the transfer is uncertain. Provisions are shown as a note to the Accounting Statements.

11 Pensions

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 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 projected earnings for current employees). The assets of the scheme attributable to the Council are included in the balance sheet at their fair value.

11.1 The following arrangements have been adopted in accordance with the requirements of the Code of Practice:

- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.
- The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs are disclosed on a straight-line basis over the period in which the increases in benefits vest.
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and disclosed in notes to the accounts covering that date. Gains arising from settlements/curtailments not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

12 External Interest

Interest paid on external borrowing is charged against and interest earned from the investment of temporary cash balances is credited to the Income and Expenditure Account.

13 Government Grants

Grants and subsidies have been credited to the appropriate Revenue and Capital Accounts. Recognition has been made through an accrual where the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Grants which cover general expenditure, such as Revenue Support Grant, are credited to the foot of the Income and Expenditure Account.

14 Investments

Investments, including minority interests in Maryport Development Limited, are valued at the lower of cost or written down value. The market value of investments is shown in a note to the Accounting Statements.

15 Redemption of Debt

Provision for redemption of debt has been made on the basis of the minimum revenue provisions contained within the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

16 PWLB Debt Rescheduling

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

17 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.

18 Contingent Liabilities

Contingent Liabilities are obligations arising from past events, where the certainty of the obligation or the cost cannot be determined. 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.

19 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.

20 VAT

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

Statement of Responsibilities for the Statement of Accounts

Allerdale Borough Council's responsibilities

The Authority is required to:


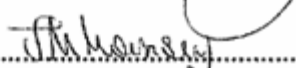
- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of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

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 |  | | Dated | 26 June 2007 |
| | | Head of Finance | | |
| Signed |  | | Dated | 26 June 2007 |
| | | Audit Committee Chairman | | |

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 accrual 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 2005/06 £'000 | | Gross Expenditure 2006/07 £'000 | Income 2006/07 £'000 | Net Expenditure 2006/07 £'000 |
|--|--|--|----------------------------|--|
| | EXPENDITURE ON SERVICES | | | |
| | Central services to the public | | | |
| 6,849 | Benefits and Local Tax Collection | 7,409 | 381 | 7,028 |
| 162 | Elections | 255 | 27 | 228 |
| 37 | Emergency Planning | 92 | 0 | 92 |
| (66) | Local Land Charges | 115 | 154 | (39) |
| 53 | General Grants | 57 | 0 | 57 |
| 245 | Other | 239 | 0 | 239 |
| 7,280 | | 8,167 | 562 | 7,605 |
| | Cultural, Environmental and Planning Services | | | |
| 738 | Cultural and Heritage | 1,320 | 591 | 729 |
| 985 | Recreation and Sport | 1,220 | 394 | 826 |
| 727 | Open Spaces | 976 | 90 | 886 |
| 265 | Tourism | 390 | 22 | 368 |
| 127 | Cemeteries, Cremation and Mortuary Services | 259 | 149 | 110 |
| 295 | Coast Protection | 478 | 129 | 349 |
| 1,521 | Environmental Health | 1,484 | 410 | 1,074 |
| 30 | Community Safety | 166 | 22 | 144 |
| 38 | Flood Defences and Land Drainage | 23 | 0 | 23 |
| 1,203 | Street Cleansing | 1,234 | 0 | 1,234 |
| 2,098 | Waste Collection | 3,788 | 1,725 | 2,063 |
| 74 | Building Control | 478 | 345 | 133 |
| 513 | Planning Policy | 1,269 | 646 | 623 |
| 155 | Environmental Initiatives | 182 | 24 | 158 |
| 453 | Economic Development | 2,523 | 1,690 | 833 |
| 70 | Community Development | 88 | 0 | 88 |
| 9,292 | | 15,878 | 6,237 | 9,641 |
| | Highways, Roads and Transport Services | | | |
| 133 | Footway Lighting | 139 | 1 | 138 |
| 20 | Traffic Management and Road Safety | 20 | 0 | 20 |
| (935) | Parking Services | 1,498 | 2,521 | (1,023) |
| 414 | Public Transport | 1,247 | 9 | 1,238 |
| (368) | | 2,904 | 2,531 | 373 |
| | Housing Services | | | |
| 161 | Housing Strategy | 192 | 1 | 191 |
| 467 | Registered Social Landlords | 1,883 | 7 | 1,876 |
| 2 | Housing Advances | 2 | 0 | 2 |
| 1,103 | Private Sector Housing Renewal | 816 | 798 | 18 |
| 342 | Homelessness | 265 | 75 | 190 |
| 17,372 | Housing Benefit Payments | 18,142 | 21 | 18,121 |
| 713 | Housing Benefits Administration | 707 | 116 | 591 |
| (24,169) | Housing Benefit Subsidy | 0 | 25,126 | (25,126) |
| (4,009) | | 22,007 | 26,144 | (4,137) |

| Net Expenditure 2005/06 | | Gross Expenditure 2006/07 | Income 2006/07 | Net Expenditure 2006/07 |
|-------------------------------|--|---------------------------------|-------------------|-------------------------------|
| £'000 | | £'000 | £'000 | £'000 |
| | Corporate and Democratic Core | | | |
| 815 | Democratic Representation & Management | 776 | 3 | 773 |
| 1,717 | Corporate Management | 3,439 | 1,644 | 1,795 |
| 2,532 | | 4,215 | 1,647 | 2,568 |
| (516) | Non-distributed Costs | 644 | 0 | 644 |
| 14,211 | NET COST OF SERVICES | 53,815 | 37,121 | 16,694 |
| 1,341 | (Gains)/Losses on the disposal of fixed assets | | | (1,403) |
| 811 | Parish council precepts | | | 845 |
| (125) | (Surplus)/deficits on trading undertakings | | | (133) |
| 1,109 | Interest Payable and similar charges | | | 968 |
| (1,204) | Interest Receivable | | | (1,412) |
| 505 | Pension Interest Costs and Expected Return on Pension Assets | | | 315 |
| 16,648 | NET OPERATING EXPENDITURE | | | 15,874 |
| (4,688) | Demand on the Collection Fund | | | (4,848) |
| (21) | Collection Fund surplus | | | (14) |
| (5,719) | General government grants | | | (1,592) |
| (2,730) | Non-domestic rates redistribution | | | (8,324) |
| 3,490 | (Surplus) / Deficit for year | | | 1,096 |

Statement of Movement on General Fund Balance 2006 / 2007

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.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| 3,490 | (Surplus) / Deficit on the Income & Expenditure Account for year | 1,096 |
| (2,801) | Net Additional Amount required by statute & non-statutory proper practices to be debited or credited to the General Fund Balance | (400) |
| 689 | Reduction in General Fund Balance for the year | 696 |
| (6,527) | General Fund Balance brought forward | (5,838) |
| (5,838) | General Fund Balance carried forward | (5,142) |

See also note 2

Statement of Total Recognised Gains & Losses 2006 / 2007

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.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| 3,490 | (Surplus) / Deficit for the Year on the Income & Expenditure Account | 1,096 |
| 139 | (Surplus) / Deficit arising on the revaluation of assets | 1,266 |
| (570) | Actuarial (gains) / losses on pension fund assets & liabilities | (2,988) |
| 21 | Change in Collection Fund Balance | (49) |
| (50) | Other | (34) |
| 3,030 | | (709) |
| | Reconciliation to Balance Sheet | |
| 71,050 | Net worth at 1 April | 68,020 |
| 68,020 | Net worth at 31 March | 68,729 |
| 3,030 | Movement in Financial Year | (709) |

Balance Sheet

| 31.3.06 £'000 | | 31.3.07 £'000 | 31.3.07 £'000 | Note |
|------------------|---|------------------|------------------|------|
| | Fixed Assets | | | |
| 695 | Intangible Fixed Assets | 646 | | 19 |
| | Tangible Fixed Assets | | | |
| | <i>Operational Assets</i> | | | |
| 25,192 | - Other Land and Buildings | 25,095 | | |
| 266 | - Vehicles, Plant and Equipment | 203 | | |
| 11,922 | - Infrastructure Assets | 12,289 | | |
| 1,837 | - Community Assets | 1,880 | | |
| | Non-Operational Assets | | | |
| 18,459 | - Investment Properties | 17,659 | | |
| | - Assets under construction | 207 | | |
| 24,844 | - Surplus Assets held for Disposal | 24,824 | | |
| 83,215 | Total Fixed Assets | | 82,803 | 13 |
| | Long Term Investments | | 20 | 24 |
| 162 | Long Term Debtors | | 217 | 21 |
| 235 | Deferred Premiums on the early debt repayment | | 224 | |
| 83,632 | Total Long Term Assets | | 83,264 | |
| | Current Assets | | | |
| 27 | - Stocks and Work in Progress | 25 | | 22 |
| 12,040 | - Debtors | 6,857 | | 23 |
| 20,664 | - Investments | 25,788 | | 24 |
| 98 | - Payments in Advance | 342 | | |
| | - Cash & Bank | 461 | | |
| | Total Assets | | 33,473 | |
| 116,461 | Total Assets | | 116,737 | |
| | Current Liabilities | | | |
| (3,457) | - Short Term Borrowing | (368) | | 26 |
| (3,514) | - Creditors | (7,578) | | 25 |
| (861) | - Bank Overdraft | | | |
| (1,701) | - Receipts in Advance | (2,645) | | |
| | | | (10,591) | |
| 106,928 | Total Assets less Current Liabilities | | 106,146 | |
| | Long Term Liabilities | | | |
| (18,824) | Long Term Borrowing | | (18,298) | 26 |
| (321) | Provisions | | (295) | 27 |
| (5,674) | Government Grants Deferred | | (6,098) | 30 |
| (134) | Capital Grants unapplied | | (1,313) | |
| (48) | Deferred Capital receipts | | (32) | 28 |
| (13,907) | Liability related to Defined Benefit Pension Scheme | | (11,381) | 35 |
| 68,202 | Total Assets less Liabilities | | 68,729 | |
| | Financed by | | | |
| 22,968 | Fixed Asset Restatement Account | | 21,191 | 29 |
| 42,675 | Capital Financing Account | | 41,724 | 29 |
| 1,380 | Usable Capital Receipts Reserve | | 3,203 | 29 |
| (13,907) | Pensions Reserve | | (11,381) | 35 |
| 5,849 | General Reserves | | 5,202 | 29 |
| 9,055 | Earmarked Reserves | | 8,790 | 29 |
| 68,020 | Total Net Worth | | 68,729 | |

The accounts were authorised by the Head of Finance for issue on 22 June 2007. Consideration has been given, up until the date of issue, 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 2007,

Signed *Paul Bramley* Dated 26 June 2007
Head of Finance

and was approved by members on 26 June 2007

Signed *J. Mansley* Dated 26 June 2007
Audit Committee Chairman

Cash Flow Statement

| 2005-06 | | | 2006-07 | | |
|----------|------------|--|---------|----------|---------------|
| £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | Revenue Activities | | | |
| | | Cash Outflows | | | |
| (8,175) | | Cash paid to and on behalf of Employees | | (10,007) | |
| (14,643) | | Other Operating cost/receipts | | (10,388) | |
| (17,659) | | Housing Benefit paid out | | (18,286) | |
| (23,110) | | NNDR - to national pool | | (14,886) | |
| (36,478) | (100,065) | Precepts paid (CCC, CPA Parishes) | | (38,151) | (91,718) |
| | | Cash Inflows | | | |
| 1,369 | | Rents | | 1,182 | |
| 35,248 | | Council Tax | | 36,965 | |
| 17,810 | | NNDR | | 18,902 | |
| 2,730 | | NNDR contribution from national pool | | 8,326 | |
| 5,719 | | Revenue Support Grant | | 1,592 | |
| 17,222 | | DWP grants – rent allowances | | 17,894 | |
| 8,542 | | Central government grants | | 8,942 | |
| 6,100 | 94,740 | Cash for Goods and Services | | 5,059 | 98,862 |
| | (5,325) | | | | 7,144 |
| | | Servicing Of Finance | | | |
| | | <u>Expenditure</u> | | | |
| (1,061) | | Interest paid | | (933) | |
| | | <u>Income</u> | | | |
| 1,269 | 208 | Interest received | | 1,577 | 644 |
| | (5,117) | | | | 7,788 |
| | | Capital Activities | | | |
| | | <u>Expenditure</u> | | | |
| (1,424) | | Purchase of Fixed Assets | (3,553) | | |
| (2,262) | (3,686) | Other Capital Cash Payments | (3,896) | (7,449) | |
| | | <u>Income</u> | | | |
| 273 | | Sale of Fixed Assets | 1,674 | | |
| 823 | | Capital grants | 6,770 | | |
| 54 | 1,150 | Other capital cash income | 1,278 | 9,722 | 2,273 |
| | (7,653) | Net Cash (Inflow)/Outflow before Financing | | | 10,061 |
| | | Management Of Liquid Resources | | | |
| | | <u>Expenditure</u> | | | |
| 3,848 | | Decrease in Short Term Investments | | | 4,689 |
| | | Financing | | | |
| | | <u>Expenditure</u> | | | |
| (17,825) | | Repayments of Amounts Borrowed | | (15,600) | |
| | | Income | | | |
| 18,242 | | New Short Term Loans | | 3,985 | |
| 4,000 | 8,265 | New Long Term Loans | | 8,000 | (3,615) |
| | 612 | Increase/(Decrease in Cash) | | | 11,135 |

See also note 36.

Notes to the Core Financial Statements

1. Explanation of Prior Period Adjustments to the Income and Expenditure Account

In the 2006/07 Statement of Accounts, the Council has adopted 3 significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table).

| Impact on Net Operating Expenditure | Consolidated Revenue Account in 2005/06 Statement of Accounts £000 | Removal of capital financing charges £000 | Relocation of government grants deferred credits £000 | Recognition of gains and losses on disposal of fixed assets £000 | 2005/06 comparatives in Income and Expenditure account £000 |
|--|---|--|--|---|--|
| Central Services to the Public | 7,299 | (11) | (8) | 0 | 7,280 |
| Cultural, Environmental and Planning services | 10,655 | (1,120) | (243) | 0 | 9,292 |
| Highways, Roads and Transport services | 25 | (385) | (8) | 0 | (368) |
| Other Housing Services | (3,989) | (7) | (13) | 0 | (4,009) |
| Corporate and Democratic Core | 2,557 | (17) | (8) | 0 | 2,532 |
| Non Distributed Costs | (487) | (29) | 0 | 0 | (516) |
| Impact on Net Cost of Services | 16,060 | (1,569) | (280) | 0 | 14,211 |
| Loss on the disposal of fixed assets | 0 | 0 | 0 | 1,341 | 1,341 |
| Asset management revenue account (Interest payable and similar charges in 2006/07) | (740) | 1,569 | 280 | 0 | 1,109 |

2. 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

| 2005/06 | | 2006/07 | |
|---------|--|--------------|---------|
| £'000 | | £'000 | £'000 |
| | Amounts included in the Income and Expenditure Account but require by statute to be excluded when determining the Movement on the General Fund Balance | £'000 | |
| (1,189) | Depreciation of tangible fixed assets | (1,292) | |
| (93) | Amortisation of intangible fixed assets | (174) | |
| (1,433) | Write-downs of deferred charges to be financed from capital resources | (2,410) | |
| 280 | Government Grants Deferred amortisation | 389 | |
| (1,341) | Gains/(Losses) on the disposal of fixed assets | 1,403 | |
| | Capital grants applied to finance assets on which no depreciation is charged | 711 | |
| (774) | Net charges made for retirement benefits in accordance with FRS17 | (1,695) | (3,068) |
| (4,550) | | | |
| | 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 | £'000 | |
| 436 | Minimum revenue provision for capital financing | 474 | |
| 111 | Capital expenditure charged in year to the General Fund Balance | 1,219 | |
| 1,104 | Employer's contribution payable to the pension fund and retirement benefits payable direct to pensioners | 1,233 | 2,926 |
| | 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 | | |
| 7 | Voluntary provision for repayment of debt | | 7 |
| 91 | Contributions to specified reserves | | (265) |
| (2,801) | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance | | (400) |

a) Gains/losses on disposal of fixed assets

2005/06

A loss of £1,549,000 was recognised in the Income and Expenditure Account as a result of the disposal of part of the Council's interest in the Workington Town Centre and the resultant revaluation of those commercial properties.

Land at Newlands Lane, Workington, recorded in the asset register as a Community Asset, and therefore valued at historic cost (which was zero), became unexpectedly available for disposal and was sold for £200,000. This represents a gain on disposal.

2006/07

A capital receipt of £1,037,000 was received in respect of the Council's share of "overage" achieved by the developers when they sold their interest in the Workington Town Centre. As there is a clear link to the prior year's disposal of interest by the Council (although there is no corresponding asset disposal in 2006/07), this receipt has been identified as a gain on a disposal of fixed assets.

A receipt of £130,000 in respect of compensation for the loss of car parking spaces as a result of the Washington Street widening (8 years ago) has also been recognised as a gain on disposal of fixed assets.

Receipts totalling £236,000 were received in respect of repayment of capital grants, and a share of the proceeds from sale of land at Great Clifton (by Derwent and Solway Housing Association) and sale of former Warden's house at Dora Crescent.

3. Trading Concerns

The Council operates a number of trading estates, a civic theatre and markets. The financial results of these were as follows:

| | Trading Estates | | Civic Theatre | | Markets | | Total | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2006-07 £'000 | 2005-06 £'000 | 2006-07 £'000 | 2005-06 £'000 | 2006-07 £'000 | 2006-07 £'000 | 2006-07 £'000 | 2005-06 £'000 |
| Income | 185 | 181 | 464 | 361 | 43 | 35 | 692 | 577 |
| Expenditure | (52) | (56) | (607) | (576) | (9) | (7) | (668) | (639) |
| Surplus/(Deficit) taken to General Fund | 133 | 125 | (143) | (215) | 34 | 28 | 24 | (62) |

Note - Compliance with BVACOP requires the results of all activities for which a division of service exists be reported in the service expenditure analysis regardless of whether this constitutes a trading undertaking or not. This therefore requires the transfer of gross income and expenditure totals for Markets and Civic Theatres to net cost of services. Disclosure of the Trading Estates remain as a surplus/(deficit) on trading activities. Therefore, the overall total of this note in respect of 2006-07 will not directly reconcile to the figures disclosed within the Income and Expenditure Account relating to surplus/(deficits) on trading activities.

4. 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 2006-07 this amounted to £278,265 (2005-06: £281,765).

| | £ | £ |
|----------------------------------|--------|----------------|
| Recruitment Advertising | | 67,249 |
| Advertising of Entertainments | | 35,881 |
| Economic Development Promotions | | 59,681 |
| Other by Portfolio: | | |
| Community and Project Management | 27,650 | |
| Leader | 5,154 | |
| Rural Affairs & Regeneration | 0 | |
| Tourism and Marketing | 1,650 | |
| Leisure | 72,057 | |
| Environmental Health | 930 | |
| Environmental Partnerships | 7,538 | |
| Car Parking & Transport | 475 | |
| | | 115,454 |
| | | 278,265 |

5. Section 137 Expenditure

Section 137 of the Local Government Act 1972 enables a Local Authority to incur expenditure which is not covered by any other powers but which is in the interests of, and will bring direct benefit to, their area, or any part of it, or all or some of its inhabitants. As a result of the Local Government Act 2000, the majority of the provisions of Section 137 of the 1972 Act have been repealed; however, the power to incur expenditure under Section 137(3) of the 1972 Act has been retained.

The Council was permitted to spend £177,635 under this power in 2006/07 but incurred no expenditure under Section 137(3) of this Act.

6. 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 2006/07

| | Non Chargeable | Chargeable | Total Building Control |
|--|-------------------|------------------|------------------------------|
| | 2006/07 £'000 | 2006/07 £'000 | 2006/07 £'000 |
| Expenditure | | | |
| Employee Expenses | 173 | 207 | 380 |
| Premises | 9 | 13 | 22 |
| Transport | 12 | 19 | 31 |
| Supplies & Services | 16 | 50 | 66 |
| Central and Support Service Charges | 16 | 39 | 55 |
| Total Expenditure | 226 | 328 | 504 |
| Income | | | |
| Building Regulation Charges | | (344) | (344) |
| Miscellaneous Income | (1) | | (1) |
| Total Income | (1) | (344) | (345) |
| (Surplus) / Deficit for Year | 225 | (16) | 209 |
| Comparatives for 2005/06 | | | |
| Expenditure | 166 | 333 | 499 |
| Income | (1) | (358) | (359) |
| (Surplus) / Deficit for Year | 165 | (25) | 140 |

7. Business Improvement District Revenue Account

The Council is the billing authority for the Keswick Business Improvement District which is managed by Keswick Bid Limited and will initially operate between 2006 and 2011. The BID scheme is provided for in regulations made under Part 4 of the Local Government Act 2003. The Council collects a levy from business rate payers on behalf of the BID body and transfers it to them net of the actual costs of collection.

| | 2006-07 |
|--|----------------|
| Income | |
| BID levy income | (74,566) |
| Expenditure | |
| Costs of collecting levy | 5,180 |
| Transfer of funds to Keswick Bid Limited | 65,000 |
| | (4,386) |

8. 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 2006-07 the Council was reimbursed £1,696,479 for such services rendered.

9. Members' Allowances

The total of Members' allowances paid in the year 2006-07 was £272,202 (2005/06 £258,383).

10. Officers' Remuneration

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 | |
|-------------------|---------------------|---------|
| | 2006/07 | 2005/06 |
| £50,000 - £59,999 | 2 | 0 |
| £60,000 - £69,999 | 1 | 2 |
| £70,000 - £79,999 | 0 | 0 |
| £80,000 - £89,999 | 0 | 1 |
| £90,000 - £99,999 | 1 | 0 |

11. Related Party Transactions

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

The following are the material transactions with related parties, which were undertaken in 2006-07, and which are not disclosed elsewhere within the Accounts:

| | Expenditure £ | Income £ |
|---|------------------|-------------|
| Age Concern | 31,901 | 285 |
| Brown and Armstrong (Contractor) | 280,587 | 0 |
| Carlisle Community Law Centre | 20,000 | 0 |
| Carlisle Leisure | 52,454 | 24,594 |
| Cockermouth Partnership | 18,330 | 133 |
| Cumbria Community Foundation | 76,961 | 0 |
| Derwent & Solway Housing Association | 930,975 | 8,941 |
| Impact Housing Association | 1,212,555 | 9,705 |
| ISS Waterers | 1,272,228 | 14,370 |
| Lakes College | 77,027 | 350 |
| Maryport Developments Ltd | 61,713 | 0 |
| Salterbeck ACE | 24,326 | 0 |
| West Cumbria Development Agency/Fund | 175,193 | 1,592 |

12. Audit Costs

In 2006-07, the Council incurred the following fees relating to external audit and inspection work:

| | 2006-07 £'000 | 2005-06 £'000 |
|---|------------------|------------------|
| Fees payable to the Audit Commission with regard to Code of Practice services carried out by the appointed auditor. | 97 | 92 |
| Fees payable to the Audit Commission in respect of statutory inspection. | 5 | 9 |
| Fees payable to the Audit Commission for the certification of grant claims and returns. | 60 | 46 |
| Fees payable to the Audit Commission in respect of other services provided by the appointed auditor. | 0 | 0 |

13. Operational and Non-operational Fixed Assets

The balance of net fixed assets at 31 March 2007 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 |
|--|-----------------------------------|-------------------------------|----------------------------|--------------------------------|---------------------------|-----------------------------------|
| Gross value at 31 March 2006 | 26,609 | 391 | 864 | 12,831 | 1,837 | 42,532 |
| Accumulated depreciation and impairment | (1,417) | (125) | (169) | (909) | | (2,620) |
| Net book value of assets at 31 March 2006 | 25,192 | 266 | 695 | 11,922 | 1,837 | 39,912 |
| Movements in 2006-07: | | | | | | |
| Additions | 645 | | 125 | 886 | 43 | 1,699 |
| Disposals | (2) | | | | | (2) |
| Transfers | 500 | | | | | 500 |
| Revaluations | (530) | | | | | (530) |
| Depreciation | (710) | (63) | (174) | (519) | | (1,466) |
| Impairments | | | | | | 0 |
| Net book value of Assets at 31 March 2007 | 25,095 | 203 | 646 | 12,289 | 1,880 | 40,113 |

Non-operational Assets

| | Investment Property £'000 | Surplus Assets £'000 | Assets under Construction £000 | Total Non-Operational Assets £000 | Total Fixed Assets £0000 |
|--|------------------------------|-------------------------|-----------------------------------|--------------------------------------|-----------------------------|
| Gross value at 31 March 2006 | 18,459 | 24,844 | 0 | 43,303 | 85,835 |
| Accumulated depreciation and impairment | 0 | 0 | 0 | 0 | (2,620) |
| Net book value of assets at 31 March 2006 | 18,459 | 24,844 | 0 | 43,303 | 83,215 |
| Movements in 2006-07: | | | | | |
| Additions | 220 | 725 | 207 | 1,152 | 2,851 |
| Disposals | (510) | (19) | | (529) | (531) |
| Transfers | (500) | | | (500) | 0 |
| Revaluations | (10) | (726) | | (736) | (1,266) |
| Depreciation | | | | 0 | (1,466) |
| Impairments | | | | 0 | 0 |
| Net book value of Assets at 31 March 2007 | 17,659 | 24,824 | 207 | 42,690 | 82,803 |

13.1 A summary of fixed assets held at 31 March 2007 is provided below:

Operational Assets

| | Number | Total value £,000 |
|---|------------------------------|----------------------|
| Land and Buildings | | |
| Office accommodation | 9 | 2,725 |
| Depots & stores | 4 | 495 |
| Public car parks: | | |
| - pay and display | 20 | 10,454 |
| - free | 8 | 147 |
| Public conveniences | 31 | 956 |
| Sports & leisure centres | 3 | 7,604 |
| Museums, theatres & public halls | 5 | 2,714 |
| | | 25,095 |
| Vehicles & plant | | |
| Vehicles | 6 | 199 |
| Equipment | 1 | 4 |
| | | 203 |
| Intangible Assets | | |
| IEG computer equipment | | 525 |
| Payroll software | | 51 |
| Solway Discovery Centre-intellectual property | | 70 |
| | | 646 |
| | Number of schemes | |
| Infrastructure assets: | | |
| Various infrastructure works | 47 | 12,289 |
| | | 12,289 |
| Community assets: | | |
| Public parks & open spaces | 23 | 1,514 |
| Sports pitches | 4 | 113 |
| Nature reserves | 1 | 55 |
| Cemeteries | 10 | 198 |
| | | 1,880 |
| Non operational assets: | | |
| | Number | |
| Investment property | | |
| Shops/shopping precincts | 6 | 9,705 |
| Residential | 3 | 215 |
| Industrial estates | 10 | 2,673 |
| Miscellaneous commercial lettings | 25 | 5,066 |
| | | 17,659 |
| Assets Under Construction: | | |
| Public Hall | 1 | 207 |
| Surplus Assets | | |
| Miscellaneous vacant land | 23 | 24,824 |
| Total asset value at 31 March 2007: | | 82,803 |

- 13.2 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 | 115 |
| Helena Thompson Museum Exhibits, etc | 271 |
| Keswick Museum Exhibits | 273 |
| Civic Regalia | 35 |

14. Capital Expenditure and Financing

| | 2006/07 £'000 | 2005/06 £'000 |
|--|--------------------------|--------------------------|
| Opening Capital Financing Requirement | 11,884 | 10,927 |
| Capital investment:- | | |
| Operational assets | 1,901 | 1,466 |
| Non-operational assets | 930 | 76 |
| Deferred Charges | 3,756 | 2,662 |
| Long term debtors | 75 | 0 |
| Sources of finance:- | | |
| Capital receipts | (125) | (243) |
| Government grants and other contributions | (2,870) | (2,449) |
| Sums set aside from revenue | (1,219) | (555) |
| | 14,332 | 11,884 |
| Explanation of movements in year | | |
| Increase in underlying need for borrowing (supported by government financial assistance) | 2,238 | 951 |
| Increase in underlying need for borrowing (unsupported by government financial assistance) | 210 | 6 |
| | 2,448 | 957 |

15. Commitments under Capital Contracts

Outstanding commitments under capital contracts at 31 March 2007 were:

| | £'000 |
|--|--------------|
| Destination Maryport | 2,831 |
| Public Realm Works – The Hub | 100 |
| Renewal Areas | |
| Maryport | 699 |
| Derwentside | 822 |
| Grants | |
| Renovation | 243 |
| Workington Facelift | 15 |
| Workington Townscape Heritage Initiative | 419 |
| | 5,129 |

16. Movement on Deferred Charges

All expenditure on deferred charges is written out to revenue as it is incurred.

| | Balance at 1.4.06 | Expenditure in year | Charged to Revenue in year | Financed from Grant in year | Balance at 31.3.07 |
|-----------------------------------|----------------------|------------------------|----------------------------------|-----------------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Total 2005/2006 | 0 | 2,662 | (1,433) | (1,229) | 0 |
| Renovation grants | 0 | 679 | (439) | (240) | 0 |
| Renewal Areas/Unfit properties | 0 | 501 | 0 | (501) | 0 |
| Other grants/expenditure | 0 | 2,576 | (1,971) | (605) | 0 |
| Total 2006/2007 | 0 | 3,756 | (2,410) | (1,346) | 0 |

17. Valuation of Fixed Assets

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

Operational Properties are valued on the basis of open market value for the existing use, or where there is no market for the subject asset, the depreciated replacement cost.

Non-Operational Properties are valued on the basis of open market value.

Community Assets and Infrastructure Assets are recorded in the accounts at historical cost.

Plant, Vehicles and Equipment are recorded in the Balance Sheet at estimated or actual cost less accumulated depreciation as at 31 March 2007

Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. The last full revaluation took place on 1 April 2004.

The valuation work was undertaken by the Council's Valuation Officer, J L A Windsor, FRICS, and the District Valuer, J Potter, BA, ARICS.

18. Depreciation Methodology

Straight line Depreciation has been applied to Land and Buildings, Equipment and Infrastructure Assets. The estimated useful lives of the assets have been professionally derived by the Valuation Officer and were reviewed as part of the revaluation on 1 April 2004.

Estimates of the useful life for individual assets range from 5 years to 70 years. The majority of properties have an estimated useful life of between 15 and 30 years.

19. Intangible Fixed Assets

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

| | £'000 |
|-----------------------------------|------------|
| Original cost | 875 |
| Amortisations to 1 April 2006 | (180) |
| Balance at 1 April 2006 | 695 |
| Expenditure in 2006-07 | 125 |
| Written off to revenue in 2006-07 | (174) |
| Balance at 31 March 2007 | 646 |

20. Leases

20.1 Finance Leases

The Council has no commitments under finance leases.

No new assets were acquired under finance leases in 2006-07.

The Council also paid £1,618 in 2006-07 in respect of secondary rentals for finance leases. No contractual liability exists in respect of payments under these leases.

20.2 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 2006-07 was £10,374 (2005-06: £36,023).

The Council is committed to making payments of £1,659 under these leases in 2007-08, comprising of the following elements:

| | £ |
|---|-------|
| Leases expiring in 2008-09 | 182 |
| Leases expiring between 2009/10 and 2010/11 | 1,477 |

21. Long Term Debtors

| | 31.3.07 £'000 | 31.3.06 £'000 |
|--------------------------|------------------|------------------|
| Housing Associations | 84 | 89 |
| Mortgages | 4 | 4 |
| Officers' car Loans | 23 | 23 |
| Commercial Organisations | 75 | 0 |
| Other Local Authorities | 31 | 46 |
| | 217 | 162 |

22. Stocks and Stores

| | 31.3.07 £'000 | 31.3.06 £'000 |
|--------|------------------|------------------|
| Stocks | 25 | 27 |
| | 25 | 27 |

23. Debtors

| | 31.3.07 £'000 | 31.3.06 £'000 |
|--------------------------------------|------------------|------------------|
| Government Departments | 2,245 | 6,644 |
| Sundry Debtors | 3,820 | 4,448 |
| Council Tax/NNDR/Community Charge | 2,732 | 2,897 |
| | 8,797 | 13,989 |
| Provision for Bad and Doubtful Debts | | |
| - Sundry | (143) | (125) |
| - Council Tax/NNDR | (1,406) | (1,555) |
| - Benefits | (391) | (269) |
| | 6,857 | 12,040 |

24. Investments

| | 31.3.07 £'000 | 31.3.06 £'000 |
|------------------------|------------------|------------------|
| Long Term | | |
| Misc Bonds & Annuities | 20 | 20 |
| Short Term | | |
| Temporary Investments | 25,788 | 20,664 |
| | 25,808 | 20,684 |

Investments are valued in the balance sheet at cost price. The Market Value of Investments held at 31 March 2007 amounted to £25,813,724.

25. Creditors

| | 31.3.07 £'000 | 31.3.06 £'000 |
|-------------------------|------------------|------------------|
| Other Local Authorities | 822 | 426 |
| Government Departments | 93 | 219 |
| Sundry Creditors | 6,663 | 2,869 |
| | 7,578 | 3,514 |

The balance of Sundry Creditors is significantly higher in 2006/07 as a result of £4.15m held temporarily on behalf of NWDA, relating to Workington Town Centre development. The same item is reflected in increased short term investments, note 24.

26. External Borrowing

Sources of Borrowing

| | 31.3.07 £'000 | 31.3.06 £'000 |
|-------------------------|------------------|------------------|
| Long Term Borrowing | | |
| Public Works Loan Board | 18,198 | 18,724 |
| Local Bonds | 30 | 30 |
| Trust Funds | 70 | 70 |
| Short Term Borrowing | 368 | 3,457 |
| | 18,666 | 22,281 |

Analysis of loans by maturity

| | 31.3.07 £'000 | 31.3.06 £'000 |
|----------------------|------------------|------------------|
| Less than 1 year | 426 | 5,583 |
| Between 1 & 2 years | 101 | 28 |
| Between 2 & 5 years | 111 | 102 |
| Between 5 & 10 years | 261 | 239 |
| More than 10 years | 17,767 | 16,329 |
| | 18,666 | 22,281 |

27. Provisions

Liabilities in the Balance Sheet include the following provisions

| | 31.3.07 £'000 | 31.3.06 £'000 |
|----------------------------|------------------|------------------|
| Insurance Excess Provision | 254 | 247 |
| Early Retirements | 23 | 56 |
| Government Departments | 18 | 18 |
| | 295 | 321 |

Within the provisions shown on the Balance Sheet is an amount of £254,388 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 in respect of claims settled by the Council's Insurers are shown below.

| | £'000 |
|---------------------------------|------------|
| Balance at 1 April 2006 | 247 |
| Payments made | (18) |
| Additions to provision | 25 |
| Balance at 31 March 2007 | 254 |

Notified Claims

- At 31 March 2007, the gross estimated value of settlement costs in respect of outstanding notified public liability claims was £140,347. Of this, the Council is liable to pay £57,217 and the Council's insurers the balance of £83,130.

Claims incurred but not reported:

- At 31 March 2007, the Council's estimated liability in respect of claims incurred but not reported was £103,000.

In addition to the above Provision, Earmarked Reserves (see note 29(e), 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.

28. Deferred Credits

Deferred Credits consist of Deferred Capital Receipts, which are amounts derived from the transfer of assets which will be received in instalments over agreed periods of time.

29. Movement on Reserves

Summary of Movements

| Reserve | Balance at 1 April 2006 £'000 | Net Movement in year £'000 | Balance at 31 March 2007 £'000 | Purpose of Reserve | Further Detail of Movements |
|---------------------------------|--|---------------------------------------|---|---|------------------------------------|
| Fixed Asset Restatement Account | 22,968 | (1,777) | 21,191 | Store of gains on revaluation of fixed assets | See note (a), below |
| Capital Financing Account | 42,675 | (951) | 41,724 | Store of capital resources set aside to meet past expenditure | See note (b), below |
| Usable Capital Receipts | 1,380 | 1,823 | 3,203 | Proceeds of fixed assets sales available to meet future capital investment | See note (c), below |
| Pensions Reserve | (13,907) | 2,526 | (11,381) | Balancing account to allow inclusion of pensions liability in the Balance Sheet | See note 35 below |
| General Reserves | 5,849 | (647) | 5,202 | Resources available to meet future running costs for services | See note (d) below |
| Earmarked Reserves | 9,055 | (265) | 8,790 | Support for service provision | See note (e) below |
| | 68,020 | 709 | 68,729 | | |

a) Fixed Asset Restatement Account

| | £'000 |
|---------------------------------|---------------|
| Balance at 1 April 2006 | 22,968 |
| Revaluations | (1,246) |
| Assets disposed of | (531) |
| Balance at 31 March 2007 | 21,191 |

The Fixed Asset Restatement Account was established on 1 April 1994 as the Fixed Asset Restatement Reserve and the balance on that date represented the difference between the valuation of assets under the previous system of capital accounting and their revised valuation under the new system on that date. The Account is written down each year by the net book value of assets as they are disposed of, and is debited or credited with the deficits or surpluses arising on revaluations.

b) Capital Financing Account

| | 2006-07 £'000 | 2005-06 £'000 |
|---|------------------|------------------|
| Balance at 1st April | 42,675 | 44,318 |
| Transferred Debt – principal | 15 | 14 |
| Capital Financing - capital receipts | 125 | 243 |
| - revenue | 1,219 | 110 |
| MRP | 481 | 443 |
| Depreciation | (1,466) | (1,282) |
| Capital Grants applied | 2,057 | 1,229 |
| Amortisation of Government Grants Deferred | 389 | 280 |
| Write down of Deferred Charges | (3,756) | (2,662) |
| Other | (15) | (18) |
| Balance at 31st March | 41,724 | 42,675 |

The treatment of capital receipts in respect of transferred debt has been reviewed resulting in transfer of £14,190 from the Capital Financing Account (Reserved Receipts) to the Usable Capital Receipts Reserve. Figures for 2005/06 have been amended and the balances brought forward adjusted accordingly.

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

c) Useable Capital Receipts Reserve

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

| Fund | 2006-07 £'000 | 2005-06 £'000 |
|--------------------------------------|------------------|------------------|
| Balance at 1st April | 1,380 | 1,294 |
| Capital Receipts in year | 1,952 | 341 |
| Capital Receipts applied during year | (129) | (255) |
| Balance at 31st March | 3,203 | 1,380 |

d) General Reserves

| | 31.3.07 £'000 | 31.3.06 £'000 |
|-----------------|------------------|------------------|
| General Fund | 5,142 | 5,838 |
| Collection Fund | 60 | 11 |
| | 5,202 | 5,849 |

e) Earmarked Reserves

These are tabulated below

| | 31.3.07 £'000 | 31.3.06 £'000 |
|---------------------------------------|------------------|------------------|
| Capital | 464 | 798 |
| Acquisition and Disposal | 473 | 423 |
| Regeneration Schemes | 866 | 883 |
| LABGI Grant | 545 | 218 |
| Contaminated Land | 177 | 132 |
| Recycling Development | 124 | 9 |
| MMI Scheme of Arrangement | 100 | 100 |
| Interest Rate Fluctuations | 253 | 253 |
| Grant Clawback | 65 | 100 |
| Equal Status Review/Job Evaluation | 135 | 190 |
| Superannuation | 90 | 160 |
| Youth Schemes | 114 | 151 |
| Grass Cutting | 248 | 248 |
| Repair and Renewals of Buildings etc. | 293 | 464 |
| Equipment, Vehicles & Plant | 1,878 | 2,289 |
| VAT/Tax | 100 | 100 |
| Contract Management | 117 | 117 |
| Town Centre Development | 205 | 0 |
| Corporate Strategy | 320 | 80 |
| Car Park Maintenance and Development | 137 | 240 |
| Planning Delivery Grant | 68 | 171 |
| Miscellaneous | 2,018 | 1,929 |
| | 8,790 | 9,055 |

30. Government Grants Deferred

Government Grants Deferred represents the application of grants received from the government to finance, either wholly or in part, the acquisition of fixed assets or deferred charges. Grants are written off against the appropriate revenue account over the useful life of assets to match the depreciation of those assets.

| | 2006/07 | 2005/06 |
|--------------------------|---------|---------|
| Brought forward 1 April | (5,674) | (4,737) |
| Additions | (813) | (1,217) |
| Amortisation | 389 | 280 |
| Carried forward 31 March | (6,098) | (5,674) |

31. 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 branches, 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 Council currently has no outstanding claims with MMI, and indications suggest that a solvent run off will be achieved. However, net claims payments totalling £330,000 have been made by MMI since 1993 and the potential for clawback estimated at 20% of these payments, together with new claims that may not be met by MMI, still remains.

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 £205,000 in respect of these costs.

Following the transfer of their interest in the Workington Town Centre development by S Harrison Developments Ltd, provisions within the development agreement resulted in the Council receiving a share of the development surplus. Since the transfer, the succeeding management company, PJKI, have submitted a claim to S Harrison Developments Ltd for a number of items relating to the arrangement. Should the claim be agreed in full, the potential reimbursement due from the Council would amount to £60,000, based on the latest available information.

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.

32. Interest in Companies

At 31 March 2007 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 2006, show a profit for the year of £17,915 (accumulated losses £1,231,673), and net liability amounting to £523,215.

The accounts for the period to 31 March 2007 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

33. 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:

| | Balance at 1.4.06 £ | Expenditure £ | Income £ | Balance at 31.3.07 £ |
|---------------------------------|---------------------------|------------------|----------------|-------------------------------|
| Harrington Harbour & Dock Board | (34,516) | 709 | (1,664) | (35,471) |
| Hugh Barbour Bequest | (7,295) | 0 | (352) | (7,647) |
| George Moore Memorial Trust | (1,702) | 0 | (68) | (1,770) |
| Helena Thompson Museum | (15,866) | 0 | (765) | (16,631) |
| | (59,379) | 709 | (2,849) | (61,519) |

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.

34. Euro

No significant costs have been incurred in respect of Euro transactions, nor are any anticipated in 2007-08.

35. Pensions

Participation in Pensions 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 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.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are 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 in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

| | Local Government Pension Scheme | |
|--|---------------------------------|------------------|
| | £'000 2006-07 | £'000 2005-06 |
| Income and Expenditure Account | | |
| Net Cost of Services: | | |
| - current service cost | (1,175) | (958) |
| - past service costs | 0 | 719 |
| - curtailment costs | (205) | (30) |
| Net Operating Expenditure: | | |
| - interest cost | (2,817) | (2,761) |
| - expected return on assets in the scheme | 2,502 | 2,256 |
| Net Charge to the Income and Expenditure Account | (1,695) | (774) |
| Statement of Movement in the General Fund Balance | | |
| - reversal of net charges made for retirement benefits in accordance with FRS 17 | 1,695 | 774 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| - employers' contributions payable to scheme | (1,233) | (1,104) |

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March were as follows:-

| Local Government Pension Scheme | | |
|---------------------------------|-------------------|-------------------|
| | 31.03.07 £'000 | 31.03.06 £'000 |
| Estimated liabilities in scheme | (57,394) | (57,889) |
| Estimated assets in scheme | 46,013 | 43,982 |
| Net asset/(liability) | (11,381) | (13,907) |

The movement in the net asset/liability position during the year may be attributed to an increase in the market value of invested assets proportionately greater than the increase in pension liability.

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £11,381,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £68,738,000.

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. Under the projected unit method, current service costs will increase as members of the scheme approach retirement. 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 1 April 2004.

The main assumptions used in their calculations have been:

| Local Government Pension Scheme | | |
|--|--------------|--------------|
| | 2006-07 % | 2005-06 % |
| Rate of Inflation | 3.1 | 2.9 |
| Rate of increase in salaries | 4.9 | 4.7 |
| Rate of increase in pensions | 3.1 | 2.9 |
| Rate for discounting scheme liabilities | 5.4 | 4.9 |
| Proportion of employees opting to take a commuted lump sum | 50 | 50 |

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

| | 31.03.07 % | 31.03.06 % |
|--------------------|---------------|---------------|
| Equity investments | 59.5 | 59.5 |
| Bonds | 29.5 | 30.8 |
| Other assets | 11.0 | 9.7 |
| | 100.0 | 100.0 |

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006-07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2007:

| | 2006-07 Local Government Pension Scheme | | 2005-06 Local Government Pension Scheme | | 2004-05 Local Government Pension Scheme | | 2003-04 Local Government Pension scheme | | 2002-03 Local Government Pension Scheme | |
|---|---|-----|--|------|--|------|--|------|--|------|
| | £'000 | % | £'000 | % | £'000 | % | £'000 | % | £'000 | % |
| Differences between the expected and actual return on assets | 255 | 0.6 | 5,621 | 12.8 | 1,333 | 3.6 | 4,252 | 12.6 | (8,866) | 31.2 |
| Differences between actuarial assumptions about liabilities and actual experience | 0 | 0 | (698) | 1.2 | (182) | 0.4 | 0 | 0 | 0 | 0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 2,733 | 4.8 | (4,353) | 7.5 | (8,137) | 15.8 | 0 | 0 | 0 | 0 |
| Total | 2,988 | | 570 | | (6,986) | | 4,252 | | (8,866) | |

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.

36. Notes to Cash Flow Statement

36.1 Reconciliation of Income and Expenditure Account to Revenue Activity Cash Flow

| | £'000 | £'000 |
|---|---------|--------------|
| Deficit for Year: | | |
| - General Reserves | | (647) |
| Interest Paid | 968 | |
| Interest Received | (1,412) | (444) |
| Contributions to/from Provisions and Reserves | | (334) |
| Items on an Accruals Basis | | |
| - Stocks and WIP | 2 | |
| - Debtors | 4,839 | |
| - Payments in Advance | 31 | |
| - Creditors | 3,653 | |
| - Receipts in Advance | 44 | 8,569 |
| Revenue Activities Cash Flow Balance | | 7,144 |

36.2 Reconciliation of Net Cash Flow to Movements in Net Debt

| | £'000 |
|---|--------------|
| Increase/(Decrease) in Cash in the Period | 11,135 |
| Cash Inflow/Outflow from | |
| Decrease/Increase in Liquid Resources | (4,689) |
| Cash Inflow/Outflow from | |
| Decrease/Increase in Debt and Lease/Deferred Purchase Financing | 3,615 |
| | 10,061 |
| Net Funds at 31 March 2006 | (2,478) |
| Net Funds/ Debt at 31 March 2007 | 7,583 |

36.3 Reconciliation of Liquid Resources to the opening and closing Balance Sheets

| | Balance At 1.4.06 £'000 | Cash Flow £'000 | Balance At 31.3.07 £'000 |
|---------------------------|-------------------------------|-----------------------|--------------------------------|
| Cash at bank and in hand: | | | |
| (Overdrafts)/In hand | (861) | 1,322 | 461 |
| Call Deposits | 75 | 9,813 | 9,888 |
| | (786) | 11,135 | 10,349 |
| Debt due within 1 year | (5,583) | 5,157 | (426) |
| Debt due after 1 year | (16,698) | (1,542) | (18,240) |
| Current Asset Investments | 20,589 | (4,689) | 15,900 |
| Total | (2,478) | 10,061 | 7,583 |

36.4 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.

36.5 Analysis of Government Grants Received

| | £'000 |
|---|--------------|
| Contaminated Land | 161 |
| Neighbourhood Renewal Fund | 570 |
| Environmental Initiatives | (13) |
| Smoke Free funding | 9 |
| Housing Benefit Administration | 995 |
| Housing Benefit fraud investigation grant | 13 |
| Council Tax Subsidy | 6,121 |
| Verification Framework | 14 |
| Planning Development Grant | 91 |
| NNDR Cost of Collection Allowance | 175 |
| Document imaging | 141 |
| Performance standards funding | 35 |
| LABGI grant | 604 |
| Homelessness prevention | 26 |
| | 8,942 |

Collection Fund

Income and Expenditure Account 2006-07

| 2005-06 £'000 | | 2006-07 £'000 | 2006-07 £'000 | Note |
|------------------|---|------------------|------------------|------|
| | Income | | | |
| 34,777 | Council Tax | | 36,814 | 2 |
| 5,740 | Transfers from General Fund - Council Tax benefits | | 6,005 | 2 |
| 18,299 | Income collectable from business ratepayers | | 18,991 | 3 |
| 58,816 | | | <u>61,810</u> | |
| | Expenditure | | | |
| | Precepts | | | 4 |
| | Cumbria County Council | 32,161 | | |
| | Cumbria Police Authority | 5,145 | | |
| 40,376 | Allerdale Borough Council | <u>4,862</u> | 42,168 | |
| | Business Rates | | | |
| 18,124 | Payment to National Pool | 18,816 | | |
| 175 | Cost of Collection Allowance | <u>175</u> | 18,991 | |
| | Bad and doubtful debts/appeals | | | |
| 121 | - Write offs | | 272 | |
| 202 | - Provisions | | <u>(40)</u> | |
| 58,998 | | | <u>61,391</u> | |
| (182) | Movement on fund balance - Surplus/(Deficit) | | 419 | 5 |
| 279 | Surplus as at 1 April | | <u>97</u> | |
| 97 | Surplus as at 31 March | | <u>516</u> | 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 (NDR).

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 the Council for the forthcoming year and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 31,459 for 2006-07). The basic amount of Council Tax for a Band D property, (£1,309.75 for 2006-07), is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions for Bands A to H:

| | Proportion of Band D | Basic amount of Council Tax £ |
|--------|-------------------------|-------------------------------------|
| Band A | 6/9 | 873.17 |
| Band B | 7/9 | 1,018.69 |
| Band C | 8/9 | 1,164.22 |
| Band D | 9/9 | 1,309.75 |
| Band E | 11/9 | 1,600.81 |
| Band F | 13/9 | 1,891.86 |
| Band G | 15/9 | 2,182.92 |
| Band H | 18/9 | 2,619.50 |

The income of £42,818,989 for 2006-07 is receivable from the following sources:

| | £ |
|------------------------------|-------------------|
| Billed to Council Tax payers | 36,814,471 |
| Council Tax Benefit | 6,004,518 |
| | 42,818,989 |

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 2006, there were two poundages, namely the basic 43.3p (42.2p in 2005-06), and 42.6p, (41.5p in 2005-06) 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 £18,991,445 for 2006-07, was based on a total rateable value as at 31 March 2007, for the Council's area, of £54,525,996 (£53,661,745 in 2005-06).

4 Precepts and Demands

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

| | £ |
|---------------------------|------------|
| Cumbria County Council | 32,161,440 |
| Cumbria Police Authority | 5,144,939 |
| Allerdale Borough Council | 4,862,111 |

5 Contributions to Collection Fund Surpluses and Deficits

The balance carried forward relating to Council Tax (£515,054), will be distributed to the precepting authorities as follows:

| | £ |
|---------------------------|---------|
| Cumbria County Council | 392,826 |
| Cumbria Police Authority | 62,841 |
| Allerdale Borough Council | 59,387 |

Statement of Internal Control 2006-07

1 Scope of Responsibility

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. In discharging this overall responsibility, Allerdale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Allerdale Borough Council's functions and which includes arrangements for the management of risk.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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. The system of internal control has been in place at Allerdale Borough Council for the year ended 31 March 2007 and up to the date of approval of the accounts accords with proper practice.

3 The Internal Control Environment

The key elements of the internal control environment are described below.

3.1 Establishing and monitoring the achievement of the Council's objectives

- The Council has a clear vision and five year Corporate Improvement Plan (CIP) which was refreshed in 2006. The CIP articulates clear outcomes that the Council aims to deliver for local people and has been built upon a programme of consultation with the community and stakeholders. The Council confirms that its priorities are still appropriate through ongoing review and an annual refresh of the CIP.
- The strategic priorities in the CIP are translated through four year Directorate Plans to annual Group Plans which in turn guide the setting of individual staff objectives at annual appraisal and at quarterly review.

- All employees have performance appraisals and training and development plans ensuring that all members of staff know what is expected of them.
- Achievement of the Council's objectives is monitored through monthly performance reports to the management team (CMT/SMT) and quarterly reports to Executive and Scrutiny committees. Lead officers are assigned to every action.
- Achievement against the Council's strategic priorities is reported in the annual Best Value Performance Plan.
- The Council's Corporate Management Team (CMT) meets weekly and Heads of Service meet with CMT monthly. Action notes from these meetings are published on the Council's intranet.

3.2 The facilitation of policy and decision-making

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council reviews its Constitution annually.
- Job descriptions and competencies for all Member roles are provided and all new Members are given effective induction training.
- The Council annually agrees a policy framework and budget, and it is the responsibility of the Executive to implement this framework under the political guidance of the Executive Leader. Individual councillors on the Executive also have specified delegated powers.
- The Council has two Overview and Scrutiny Committees (O&S). They have the power to 'call-in' decisions which have been made by the Executive, but not yet implemented, to enable consideration to be given to whether such decisions are appropriate.
- The forward plan and key decisions are standard items on the agenda for the O&S committees.
- The Audit Committee has delegated responsibility for providing independent assurance of 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.
- Apart from exempt items, all committee business is open to the public. Decisions from committees are clearly recorded and minutes are publicly available.

3.3 **Ensuring compliance with established policies, procedures, laws and regulations**

- The Council grants authority to individual Chief Officers to act on its behalf in the exercise of its powers within the 'Officer Delegation Scheme'. A written record is then maintained by each Chief Officer where decisions are devolved or delegated to other responsible staff.
- Each Chief Officer is ultimately responsible to the Council for ensuring that Financial Regulations and Council procedures are applied and observed by their staff.
- The Director of Strategic Resources is responsible for ensuring that all applicable statutes and regulations are complied with.
- The Council maintains an adequate and effective system of internal audit of the Council's accounting records and of its system of internal control in line with the requirement under the Accounts and Audit (Amendment) (England) Regulations 2006.
- Internal Audit evaluates the effectiveness of risk management, control, and governance processes, based on an audit risk analysis. A schedule of priorities for audit attention is developed from this. The model is devised on the basis that all risks are relative but that they can be compared by combining three factors:- the size of risk exposure; the likelihood that the risk will materialise; and the probability of the consequences being detected if the risk does materialise.
- Internal Audit carries out audit reviews of systems and services, including the main financial systems, in line with the priorities determined. Areas subject to review as part of the Internal Audit programme include the adequacy and effectiveness of systems and controls, and also compliance with policies, procedures, laws and regulations.
- Quarterly reports on audit activity are presented to the Audit Committee.
- The Council has a Code of Conduct which each elected member signs up to. Training sessions on the code are held on an annual basis.
- Registers of Financial Interest are updated within twenty-eight days of a change occurring.
- The Council's Anti Fraud and Corruption Strategy sets out the responsibilities of officers and action to be taken in cases of theft, corruption, irregularity, or when damage is suspected .
- The Confidential Reporting Code, (Whistle Blowing Policy), forms part of this Strategy which provides a mechanism for staff to report suspected wrong doings confidentially to the Monitoring Officer, Chief Executive, Internal Audit or other appropriate officer. In the event of such an issue, an investigation would be carried out and action taken as necessary.

- Whilst the Council is not directly required to implement the requirements of the Money Laundering Regulations 2003, the Council and its officers are subject to the provisions of the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001 and the Proceeds of Crime Act 2002.
- In order to fulfil these requirements, the Council have approved a Money Laundering Policy which identifies the Director of Strategic Resources as the responsible officer.
- The Council has HR policies and procedures covering all aspects of good employment.
- The Council has published procedures to demonstrate compliance with the Freedom of Information Act.
- The Council operates a Complaints Procedure, which is reviewed annually, taking into account the results of consultation with complainants.

3.4 Identifying, assessing and managing the risks to the Authority's objectives

- CMT members have had risk management training and risk management is included in the councillor training programme.
- The Council has a Risk Management Policy and Strategy in place, which CMT keep under review. Identification of and action planning for key business risks and responses is addressed through a strategic risk profile maintained by CMT, with Councillors' involvement.
- The strategic risk profile was reviewed during the year to align it to the Corporate Improvement Plan. The review involved senior management, members of the Executive and representatives from Audit and Scrutiny Committees.
- The Strategic Risk Profile is to be reviewed and updated on a six monthly basis by members of CMT and the Executive at Informal Executive meeting (and at other times when new risks are identified).
- Operational risk profiles have been produced for service areas and these are to be updated on a six monthly basis by managers.
- Risk Management is an item on team meeting agendas.
- Risk management has been included as an item in annual appraisals.
- The Council's project management framework requires that risk assessments are completed for all key projects and officers are given training to enable them to manage risks effectively in projects.
- Committee reports include a reference to risk assessment on the subject matter of the report.

- The Council has purchased a risk management module with the Covalent performance management system. This will enable a detailed record of risks, controls, actions and responsibilities to be maintained linking risks at operational, corporate and strategic levels and to provide a more accessible risk register.
- The Council has adopted an Emergency Response Plan in line with new duties under the Civil Contingencies Act 2005 and plays an active role in partnership with the County Council on County-wide emergency planning including attending regular training sessions.

3.5 Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement

- The Budgetary Framework provides for overall control of Council resources, with Corporate Management Team ensuring that resources are allocated to Council priorities.
- The Council secures continuous improvement through reviews by external auditors, external agencies, Internal Audit and Best Value reviews and the annual programme of Scrutiny Committee reviews.
- Progress on efficiency is reported within the annual Best Value Performance Plan.
- There has been significant investment in staff training to ensure that services are delivered by well trained people including a management development programme for aspiring managers to develop staff and build capacity within the organisation.
- The Council seeks, and has achieved, external accreditation, quality standards and awards.
- The Council has a corporate Procurement Strategy based on the National Procurement Strategy for local government.
- A Procurement Board has been set up which monitors the Procurement Strategy and Action Plan and ensures that a corporate approach to procurement is adopted.

3.6 Financial management of the Council and the reporting of financial management

- The Head of Finance, (Director of Finance prior to 1/1/07), has statutory duties in relation to the financial administration and stewardship of the authority.
- The Head of Finance, (Director of Finance prior to 1/1/07), is responsible for: the proper administration of the Authority's financial affairs; setting and monitoring compliance with financial management standards; advising on the corporate financial position and on the key financial controls necessary to secure sound financial management; providing financial information; preparing the revenue budget and capital programme; treasury management.
- The Council has a medium term financial plan, supported by a ten year financial model in place which, together with the Capital Strategy provides a clear and effective planning basis for the Council to manage its finances in the medium to long term.
- The Council's outturn position is reported annually, together with a Statement of Accounts.
- The Council's ongoing financial position, including net revenue expenditure performance in comparison to budget, capital expenditure performance in comparison to budget and treasury management performance, is reported to the Council's Executive on a quarterly basis.
- Regular financial monitoring reports, which compare actual expenditure to profiled budget, are issued on a monthly basis to budget holders, and the Corporate Management Team receive a monthly high level revenue report.
- The management of the Council's financial affairs is conducted in accordance with the Council's 'Financial Regulations' which are regularly reviewed and are in the process of being updated.
- With regard to any report or information for Councillors, upon which decisions or consultation are to be based, each Chief Officer is responsible for ensuring that the Head of Finance, (Director of Finance prior to 1/1/07), is consulted about any information to be included concerning the finances of the Council, its services and activities.

3.7 Performance management of the Council and the reporting of performance management

- Performance reports are submitted monthly to Corporate Management/Strategic Management team (CMT/SMT) meetings, and quarterly to Executive and Overview & Scrutiny. These exception reports use a traffic light system to show

performance against Corporate improvement Plan (CIP) actions and Best Value Performance Indicators (BVPIs).

- These performance reports are generated from the Council's performance management system, Covalent, which was purchased in June 2006 and went live across the Council on 2/1/07.
- Covalent is a corporate system that allows all staff and elected members to view performance on actions and performance indicators 'live' at any time. Services produce performance monitoring reports to consider at team meetings and to discuss with the appropriate director and Executive Member. These consider progress against plans set out in the annual group plans, some national BVPIs and some local performance indicators.
- Trend analysis reports for BVPIs are prepared on a half yearly and an annual basis.

4 Review of Effectiveness

Allerdale Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, the Executive and managers within the authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the Audit Commission, and other review agencies and inspectorates, in their Annual Audit and Inspection Letter and other reports.

For 2006/07 the Council has also introduced assurance statements, compiled and signed by Heads of Service, which provide a review of how effective and embedded the Council's system of internal control is.

- The Council's Annual Audit and Inspection Letter for 2005/06 will be presented to the Executive on 20 June 2007. The Direction of Travel aspect recognises an improvement trend across service areas generally. The Use of Resources arrangements are considered adequate. Improvements are being put in place in response to issues concerning financial statement quality, performance measurement & evaluation, workforce strategy and business continuity planning.
- The annual Internal Audit report for 2006/07 will be presented to the Audit Committee on 3 July 2007.

The following areas have been developed during 2006/07 to ensure the continuous improvement of the internal control environment:

4.1 **Performance management**

- The Council has begun a programme to implement a new performance management framework which has included the purchase of a performance management system (Covalent).
- Set up of the Covalent system and phased training took place between July and December 2006 and the system went live across the Council on 2/1/07. Further training and development in use of the system will take place into 2007/08 including the transfer of the Council's risk registers to Covalent and associated staff and member training.
- The Council has continued to develop the key elements of a performance management framework including developing a cyclical corporate work programme.

- A Best Value Review has been carried out to examine the Council's approach to working in partnership. The review has produced a best practice guide and toolkit for the effective monitoring and evaluation of partnership working across the Council. The Council has now developed a prioritised programme for the initial annual review of each of its partnerships and has begun to carry those out.

4.2 **Procurement**

- The Council's Procurement Strategy continues to be implemented and monitored through the Council's performance management system (Covalent). A Business Case for a shared procurement service for commodity goods and services has been approved by Full Council. The shared service, EPiC (Effective Procurement in Cumbria), consists of five Cumbrian district Councils and Cumbria County Council.
- A Business Case for a system to enable electronic purchase ordering and an eMarketplace has been approved and a project plan put in place for implementation. All EPiC members have committed to the eMarketplace which will allow catalogue content, from contracts for commodities let by EPiC, to be available for use by staff. Efficiency savings on commodity items will be recorded and monitored through EPiC.

4.3 **Scrutiny function**

- An independent review of the Council's scrutiny function took place in early 2006 and an action plan for improvement is now in place.

4.4 Risk Management

- An independent review of the Council's risk management framework and the effectiveness of its implementation was carried out in 2006. An action plan is being developed to address the recommendations in the report.
- CMT is responsible for reviewing the Council's Risk Management Policy Statement and Strategy. The Policy is to be reviewed by CMT in the coming year and will be subject to periodic review in future.
- The Council is working with external consultants, Marsh Risk Consulting, to implement business continuity arrangements aimed at ensuring that the Council complies with statutory requirements under the Civil Contingencies Act as a category 1 responder and maintains service delivery following sudden unplanned interruption. Business Impact Analysis and Risk Assessment projects were undertaken during the year. Following the Business Impact Analysis, business continuity plan writing workshops were held for managers of priority service areas and service plans for these are being prepared which will enable a Crisis Management Plan to be produced.
- Arrangements will take into account areas of commonality between emergency planning and business continuity in order to build on existing arrangements and avoid duplication, to produce a fully integrated response framework

4.5 Business process re-engineering

- The Council is continuing a major programme of work to effectively deliver the Customer Services Strategy. An electronic document and records management system (EDRMS) and customer relationship management system (CRM) have now been implemented. The first phase of the transfer of service areas to the Customer Service Centre, (waste management services and council tax), has been completed. The revenues services are the first to go live with the EDRMS.
- Included in this programme is a process mapping and business process re-engineering project to promote efficiency in process and procedures of services and to ensure that all processes are mapped ready for the phased transfer of services to the electronic document management system and customer relationship management system.

4.6 Fit for Purpose Review

The Council carried out a Fit for Purpose Review in 2006 which produced a new organisational structure better designed to help the Council achieve its priorities. The work carried out by Internal Audit for 06/07 has not identified any weaknesses specifically as a result of the Fit for Purpose review.

5 Significant Internal Control Issues

Although work has been undertaken on the preparation of plans for crisis management and continuity of services, draft plans have not been approved and tested. Further work is required, taking into account areas of commonality between emergency planning and business continuity, in order to build on existing arrangements to produce a fully integrated response framework. Ongoing works have been included in the Planned Improvements section below.

No other significant control weaknesses have been brought to our attention and, based on the assurances provided, it is our opinion that our internal control environment accords with proper practice and that our arrangements are working effectively.

6 Planned Improvements


As the Council aims to ensure continuous improvement of the internal control system, it plans to develop the following areas in 2007-08:

| | Issue | Action |
|---|---|--|
| 1 | Further development of the Council's procurement practices in accordance with the Procurement Strategy and Action Plan and national guidelines. | <ul style="list-style-type: none">• Implementation of the EPiC shared procurement service.• Implementation of an electronic purchase ordering and eMarketplace system which will replace existing paper-based ordering methods and enable the Council to trade electronically with suppliers. |
| 2 | Further development of the Council's management and monitoring of partnership working. | <ul style="list-style-type: none">• Complete initial self assessments for each of the Council's partnerships following the prioritised programme produced. |
| 3 | Further development and embedding of performance management into the culture of the organisation. | <ul style="list-style-type: none">• System set up and roll out of training in risks module of Covalent (performance management system) for staff and members: July to September 2007.• Develop key elements of performance management framework including performance clinics and an Improvement Board by October 2007. |
| | Issue | Action |
| 4 | An independent review of the Council's risk management framework and the effectiveness of its implementation was produced in July 2006. | <ul style="list-style-type: none">• Development and implementation of an action plan to address the findings of the risk management review. |

- | | | |
|---|---|--|
| 5 | Systems and processes will be reviewed across the Council to streamline service provision, improve working practices, provide system documentation and offer more effective service delivery. | <ul style="list-style-type: none"> • Ongoing development of Business Process Re-engineering and Electronic Document and Records Management System. • Process mapping to be completed on an ongoing phased basis over 2007/08 to integrate systems and services into EDRMS and CRM. |
| 6 | Continued work to develop Business Continuity Management for the Council. | <ul style="list-style-type: none"> • Complete Crisis Management Plan Business Continuity Plans for priority services and test plans by October 2007. • Roll out Business Continuity Plans for other service areas by March 2008. |
| 7 | Assurance that the Council has a system in place to confirm that its priorities are still appropriate. | <ul style="list-style-type: none"> • Undertake an annual review of the CIP including consultation with stakeholders: September to December 2007. |
| 8 | Further development of risk registers | <ul style="list-style-type: none"> • Update existing registers and incorporate them into the risk module of the Council's performance management system |
| 9 | Development of a strategic approach to shared services | <ul style="list-style-type: none"> • Undertake a project to develop a strategic approach to reviewing the potential for shared services by March 2008. |

7 Conclusions

On the basis of information supplied to us, we are satisfied that the Council's Internal Control arrangements are adequate and operating effectively.

Signed  Date 14/06/07
Leader of Allerdale Borough Council

Signed  Date 14/06/07
Chief Executive