



Statement of Accounts

Year ending 31 March 2008

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

Opinion on the financial statements

I have audited the accounting statements and related notes of Allerdale Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the 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 accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Head of Finance and auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority's accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered,

whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities.

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Allerdale Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 12 December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Signed:

Ms G Martlew
Appointed Auditor
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Date: 30 September 2008

Allerdale Borough Council

Statement of Accounts 2007/08

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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 2008 and gives details of the Council's expenditure and income for the 2007/08 financial year. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice, (the SORP).
- 1.3 The main purposes of the financial statements which make up the Statement of Accounts are as follows:

- **Statement of Accounting Policies**

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

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

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

- **Core Financial Statements**

- i) **Income and Expenditure Account**

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

- a) The first section provides information on the costs of the Council's operations, net of specific grants and fees and charges, to give the net cost of services.
 - b) The second section consists of items of income and expenditure relating to the authority as a whole. When added to the net cost of services, this gives the Council's net operating expenditure.

- c) The third section shows income from local taxation and general government grants, to give the net deficit or surplus for the year.

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

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

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

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

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

iv) **Balance Sheet**

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

v) **Cash Flow Statement**

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

- **Supplementary Financial Statements**

- i) **Collection Fund**

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

- **Governance Statement**

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

2 General Fund

2.1 The General Fund records the day-to-day running costs of the Council's services. Net General Fund expenditure is met from the following sources:

- Government Grants, consisting of:
 - i) National Non-Domestic Rates, collected locally and redistributed nationally.
 - ii) Revenue Support Grant
 - iii) Local Authority Business Growth Incentive Grant, which is based on increases in business rates collected.
- Collection Fund, consisting of:
 - i) Collection Fund surpluses, arising from better than expected collection rates.
 - ii) Council Tax, collected from the borough's residents.
- General Fund Balances

2.2 The General Fund revenue budget for Allerdale's services was set at £16.0 million, (February 2007). Actual expenditure was £16.1 million. In addition, there was a reduced call on General Fund Balances of £0.3 million, supported through LABGI receipts of £0.5 million.

2.3 The table below shows how actual expenditure for 2007/08 compared to budget, together with where the expenditure was met from:

	Budget £000	Actual £000	Variance £000
Expenditure			
Net Expenditure on Services	15,966	16,131	165
General Fund Balances	(1,397)	(1,081)	316
	14,569	15,050	481
Net Parish Precepts	907	907	0
	15,476	15,957	481
Financing			
Government Grants			
National Non-Domestic Rates	8,882	8,882	0
Revenue Support Grant	1,491	1,491	0
LABGI	0	481	481
Collection Fund			
Collection Fund Surpluses	43	43	0
Council Tax	5,060	5,060	0
	15,476	15,957	481

- 2.4 The Council had General Fund Balances of £4.1 million at 31 March 2008, (£5.1 million at 31 March 2007) and earmarked reserves of £8.9 million, (£8.8 million at 31 March 2007). The Council's policy is to apply its balances in support of its corporate objectives.

3 Changes in Accounting Policies

- 3.1 The 2007/8 accounts include some significant changes in accounting policy introduced through the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP):

- Financial Instruments are now accounted for in accordance with FRS 25, FRS 26 and FRS 29, replacing the previous methodology based on FRS 4 and FRS 5. The impact is that financial instruments are measured and recorded in the accounting statements on a different basis to the previous policy, designed to reflect the contractual arrangements under which instruments are held.
- The Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account.
- The accounting arrangements for Local Area Agreement Grant, (LAAG), have changed, so that Cumbria County Council acts as the accountable body and Allerdale acts as a partner. LAAG funding is paid to the Cumbria County Council as accountable body & redistributed to partners, including Allerdale.

- 3.2 The new policies have resulted in changes to the closing Balance Sheet for 2006/7, reflected in a restated opening Balance Sheet on 1 April 2007. The first gives rise to a prior period adjustment, however, comparative information has not been restated and the opening Balance Sheet adjustment is disclosed as a total amount. The second entails the balance on the Revaluation Reserve at 31 March 2007 being shown at nil, with the balance on the Capital Adjustment Account shown as the combined total of the Fixed Asset Restatement Account and the Capital Financing Account.

4 Capital Expenditure

- 4.1 Capital expenditure covers expenditure on long term projects. The table below shows capital expenditure for all services in 2007/08 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	2,202	4,270	3,887	(383)
Leisure	50	4,132	3,885	(247)
Regeneration	2,524	1,974	1,279	(695)
Asset Management	200	1,115	936	(179)
Information technology		52	49	(3)
	4,976	11,543	10,036	(1,507)
Financing				
Borrowing - Supported		1,549	1,326	(223)
Borrowing - Unsupported	180	1,072	1,064	(8)
Grants	4,202	5,874	5,665	(209)
Capital Receipts	140	2,024	1,273	(751)
Revenue and Reserves	454	1,024	708	(316)
	4,976	11,543	10,036	(1,507)

5 Collection Fund

- 5.1 Council Tax and National Non-Domestic Rates are collected and paid into the Collection Fund. Payments are made from the fund to the National Business Rate Pool, (for redistribution to local authorities nationally), and to Cumbria County Council, Cumbria Police Authority, Parish Councils in the borough, and Allerdale Borough Council, (General Fund), through precepts.
- 5.2 For 2007/08, Band D Council Tax was set at £1,372.45, (excluding parish precepts), comprising the following:-

	£
Allerdale Borough Council	131.06
Cumbria County Council	1,070.30
Cumbria Police Authority	171.09
	1,372.45

6 Treasury Management

- 6.1 The Council used a fund manager, (Scottish Widows Investment Partnership), to manage part (£10 million), of the Council's cash balance. The remaining balance was managed in-house.

7 Pensions Reserve

- 7.1 The Council is required under Financial Reporting Standard 17 to report its liability under the pension scheme as it arises, rather than when benefits are paid as pensions. The actuarial valuation at 31 March 2008 showed a net liability of £19.2 million, (£11.4 million at 31 March 2007). This increase reflects local authorities' experience nationally, with the performance of investments being significantly lower than projected during 2007/08.
- 7.2 The liabilities show the underlying commitments, which the Council has, to pay retirement benefits in the long term. The total liability has a significant impact on the Council's net worth. In accordance with statutory requirements, the deficit will be recovered through increased contributions over the working life of employees, as assessed by the scheme actuary. The latest triennial review of the fund by the actuary introduced revised contribution rates effective from 1 April 2008.

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 2007/8 financial year and its position at the year end of 31 March 2008. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice, (the SORP), issued by the Chartered Institute of Public Finance and Accountancy, (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards and recommended practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. There have been no changes in estimation techniques which are material to the accounts.

2 Accruals of Income and Expenditure

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. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Provisions

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

Provisions are charged to the appropriate service revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are made, they are charged to the provision.

Provisions are reviewed at the end of each financial year and adjusted as necessary.

4 Reserves

The Council maintains reserves earmarked for specific policy purposes and balances set aside for purposes such as general contingencies and cash flow management.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account. The reserve is then appropriated back into the General Fund Balance Statement, so that there is no net charge against council tax for the expenditure.

Some reserves are maintained for technical purposes and are not available for use as revenue expenditure. These consist of the Revaluation Reserve, the Available for Sale Financial Instruments Reserve, the Capital Adjustment Account and the Financial Instruments Adjustment Account. The Capital Receipts Reserve is established for specific statutory purposes.

5 Tangible Fixed Assets

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

A change in accounting policy has been made effective from 1 April 2007, with the replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and a Capital Adjustment Account.

Whereas such a change would normally entail prior year adjustments, given the difficulties that this would cause for authorities, it has been accepted that the new requirements should be applied prospectively.

To address this, the 2006/07 comparative figures have been restated as follows:

- a) On the Balance Sheet, the balance on the Revaluation Reserve at 31 March 2007 is shown as nil.
- b) The balance on the Capital Adjustment Account is shown as the combined total of the Fixed Asset Restatement Account and the Capital Financing Account.

Recognition

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

Measurement

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

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

Net current replacement cost is assessed as:

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

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

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

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

Impairment

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

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

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

Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal, (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. They are required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation

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

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

Depreciation is calculated using the straight line method.

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

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

Grants and Contributions

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

6 Intangible Fixed Assets

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

7 Charges to Revenue for Fixed Assets

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

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

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

The methodology applied to the charge to be made to revenue for the redemption of debt represents a change in policy. Prior to 2007/8, authorities were required to make a charge to revenue equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement.

8 Deferred Charges

Deferred charges are payments of a capital nature where no tangible asset is created. They consist predominantly of grants paid to third parties, principally renovation grants and renewal area expenditure.

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 charge from existing capital resources or by borrowing, a transfer to the Statement of Movement on the General Fund Balance then reverses out the amounts charged in the Capital Adjustment Account so there is no impact on the level of Council Tax.

9 Government Grants and Contributions (Revenue)

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

10 Financial Liabilities

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

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

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

11 Financial Assets

Financial assets are classified into three types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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

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

Available-for-sale Assets

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

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

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

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

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

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

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

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

Fair Value through Profit and Loss

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

Instruments Entered into Before 1 April 2006

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

12 Leases

Finance Leases

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

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

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

The Council currently holds no finance leases.

Operating Leases

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

13 Stocks and Work in Progress

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

14 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 2007. In general, the total absorption costing principle is applied, where the full cost of overheads and support services is shared between users in proportion to the benefits received.

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, (the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties). Costs associated with those categories are accounted for as separate service headings in the Income and Expenditure Account.

15 Retirement Benefits

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

- The liabilities of the Cumbria County Council pension scheme attributable to the Council are included in the Balance sheet on an actuarial basis using the projected unit method, (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees)
- Liabilities are discounted to their value at current prices
- The assets of the Cumbria County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
 - a) current service cost – the increase in liabilities as a result of years of service earned earlier this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - b) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - c) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - d) expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - e) gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of the Non Distributed Costs.
 - f) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.

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

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at year-end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

16 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.

17 Business Improvement District Scheme

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

18 Local Area Agreement

The Council is a partner in a Local Area Agreement for which Cumbria County Council acts as the accountable body. Allocations of LAA grant receivable are accounted for on an accruals basis and transactions are recognised in the revenue services funded by the grant.

19 Contingent Assets

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

20 Contingent Liabilities

Contingent Liabilities are either:

- a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- b) Present obligations arising from past events, but not recognised because:
 - i) It is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - ii) The amount of the obligation can't be measured with sufficient reliability.

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

21 Interest in Companies and Other Entities

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

Statement of Responsibilities for the Statement of Accounts

Allerdale Borough Council's responsibilities

The Authority is required to:

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

Signed  Dated 30 June 2008
Councillor J Mounsey
Audit Committee Chairman

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 30 June 2008
Paul Bramley
Head of Finance

Income and Expenditure Account

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

Net Expenditure 2006/07 £'000		Gross Expenditure 2007/08 £'000	Gross Income 2007/08 £'000	Net Expenditure 2007/08 £'000	Note
	EXPENDITURE ON SERVICES				
7,605	Central services to the public	8,800	(7,036)	1,764	
9,641	Cultural, Environmental and Planning Services	16,688	(6,133)	10,555	
373	Highways, Roads and Transport services	3,855	(3,148)	707	
(4,137)	Housing Services	25,283	(22,436)	2,847	
3,171	Corporate and Democratic Core	3,051	(293)	2,758	
644	Non-distributed Costs	388	0	388	
17,297	NET COST OF SERVICES	58,065	(39,046)	19,019	
(1,403)	(Gains)/Losses on the disposal of fixed assets			(785)	
845	Parish Council Precepts			907	
(133)	(Surplus)/Deficit on Trading Undertakings			(131)	3
(1,412)	Interest Receivable			(1,639)	
968	Interest Payable and similar charges			1,092	
315	Pension Interest Costs and Expected Return on Pension Assets			193	31
16,477	NET OPERATING EXPENDITURE			18,656	
(4,848)	Demand on the Collection Fund			(5,060)	
(603)	LABGI			(482)	
(14)	Collection Fund surplus			(42)	
(1,592)	General government grants			(1,490)	
(8,324)	Non-domestic rates distribution			(8,882)	
1,096	(Surplus) / Deficit for year			2,700	

Statement of Movement on General Fund Balance 2007 / 2008

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
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but it is met from the usable capital receipts balance rather than council tax
- 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.

2006/07 £'000		2007/08 £'000
1,096	(Surplus) / Deficit for the year on the Income & Expenditure Account	2,700
(400)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(1,619)
696	Reduction in General Fund Balance for the year	1,081
(5,838)	General Fund Balance brought forward	(5,142)
(5,142)	General Fund Balance carried forward	(4,061)

See also note 2

Statement of Total Recognised Gains & Losses 2007 / 2008

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.

2006/07 £'000		2007/08 £'000
1,096	(Surplus) / Deficit for the year on the Income & Expenditure Account	2,700
1,266	(Surplus)/Deficit arising on the revaluation of fixed assets	(6)
(2,988)	Actuarial (gains) / losses on pension fund assets & liabilities	7,657
0	Net movement from Financial Instruments	223
(49)	Movement on Collection Fund for the year	(2)
(18)	Other	
(693)		10,572
	Reconciliation to Balance Sheet	
68,068	Net worth as at 1 April	68,761
68,761	Net worth as at 31 March	58,189
(693)	Movement in Year	10,572

Balance Sheet as at 31 March 2008

31.3.07 £'000		31.3.08 £'000	31.3.08 £'000	Note
	Fixed Assets			
646	Intangible Fixed Assets	391		17
	Tangible Fixed Assets			
	<i>Operational Assets</i>			
25,095	- Other Land and Buildings	25,113		
203	- Vehicles, Plant and Equipment	250		
12,289	- Infrastructure Assets	13,053		
1,880	- Community Assets	1,880		
	Non-Operational Assets			
17,659	- Investment Properties	17,656		
207	- Assets under Construction	3,304		
24,824	- Surplus Assets held for Disposal	24,768		
82,803	Total Fixed Assets		86,415	13
20	Long Term Investments		20	22
217	Long Term Debtors		153	19
224	Deferred Premiums on early debt repayment		0	
83,264	Total Long Term Assets		86,588	
	Current Assets			
25	- Stocks and Work in Progress	39		20
6,857	- Debtors	9,014		21
25,788	- Investments	23,121		22
342	- Payments in Advance	285		21
461	- Cash & Bank			
			32,458	
116,737	Total Assets		119,046	
	Current Liabilities			
(368)	- Short Term Borrowing	(5,887)		25
(7,578)	- Creditors	(3,361)		23
	- Bank Overdraft	(1,329)		24
(2,645)	- Receipts in Advance	(2,183)		23
			(12,760)	
106,146	Total Assets less Current Liabilities		106,286	
	Long Term Liabilities			
(18,298)	Long Term Borrowing		(18,529)	25
(295)	Provisions		(275)	26
(6,098)	Government Grants Deferred		(9,039)	27
(1,313)	Capital Grants Unapplied		(1,043)	28
(11,381)	Liability related to Defined Benefit Pension Scheme		(19,211)	31
68,761	Total Assets less Liabilities		58,189	
	Financed by			
0	Revaluation Reserve		0	29
0	Available for Sale Financial Instruments Reserve		0	
62,915	Capital Adjustment Account		61,734	29
0	Financial Instruments Adjustment Account		(212)	29
32	Deferred Capital Receipts		1	29
3,203	Usable Capital Receipts Reserve		2,874	29
(11,381)	Pensions Reserve		(19,210)	31
5,202	General Reserves		4,123	29
8,790	Earmarked Reserves		8,879	29
68,761	Total Net Worth		58,189	

The accounts were authorised by the Head of Finance for issue on 27 June 2008, and, following the audit, on 25 September 2008. Consideration has been given, up until the date of the audit, 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 2008 and its income and expenditure for the year then ended.

Signed Paul Bramley Dated 25 September 2008

Paul Bramley
Head of Finance

Cash Flow Statement

2006/07			2007/08		
£'000	£'000		£'000	£'000	£'000
		Revenue Activities			
		Cash Outflows			
(10,007)		Cash paid to or on behalf of Employees		(9,695)	
(10,388)		Other Operating costs/receipts		(22,612)	
(18,286)		Housing Benefit paid out		(18,796)	
(14,886)		NNDR payments to national pool		(19,773)	
(38,151)	(91,718)	Precepts paid (CCC, CPA Parishes)		(40,346)	(111,222)
		Cash Inflows			
1,182		Rents	1,521		
36,965		Council Tax	38,571		
18,902		NNDR	20,125		
8,326		NNDR contribution from national pool	8,882		
1,592		Revenue Support Grant/LABGI Grant	1,581		
17,894		DWP grants – rent allowances	18,530		
8,942		Central government grants	10,983		
5,059	98,862	Cash for Goods and Services	6,155	106,348	106,348
	7,144				(4,874)
		Servicing Of Finance			
		<u>Expenditure</u>			
(933)		Interest paid		(1,096)	
		<u>Income</u>			
1,577	644	Interest received		1,482	386
	7,788				(4,488)
		Capital Activities			
		<u>Expenditure</u>			
(3,553)		Purchase of Fixed Assets	(5,784)		
(3,896)	(7,449)	Other Capital Cash Payments	(4,474)	(10,258)	
		<u>Income</u>			
1,674		Sale of Fixed Assets	147		
6,770		Capital grants	4,297		
1,278	9,722	Other capital cash income	82	4,526	(5,732)
	10,061				(10,220)
		Management Of Liquid Resources			
		<u>Expenditure</u>			
	(4,849)	Decrease/(Increase) in Short Term Investments			3,397
		Financing			
		<u>Expenditure</u>			
(15,600)		Repayments of amounts borrowed		(3,678)	
		<u>Income</u>			
3,985		New Short Term Loans		9,166	
8,000	(3,615)	New Long Term Loans		0	5,488
	1,597	Increase/(Decrease in Cash)			(1,335)

See also note 36.

Notes to the Core Financial Statements

1. Explanation of Adjustments to the Balance Sheet from 1st April 07

In the 2007/08 Statement of Accounts, the Council has adopted new accounting policies in line with the SORP. The significant changes that affect the Balance sheet which apply from 1 April 2007 are:

- The line for deferred premiums on early repayment of debt has been deleted since any premiums, (losses), arising on early repayment of debt that are required by the SORP to be carried forward on the Balance Sheet should be used to adjust the carrying amount of the replacement or modified loan debt
- The replacement of the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) with a Revaluation Reserve and Capital Adjustment Account
- A new Available-for-Sale Reserve to hold the gains and losses arising from the policy of carrying available-for-sale financial assets at fair value
- A new reserve called the Financial Instruments Adjustment Account to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

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

2006/07 £'000		£'000	2007/08 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance		
(174)	Amortisation of intangible fixed assets	(199)	
(1,292)	Depreciation and impairment of fixed assets	(1,675)	
389	Government Grants Deferred amortisation	431	
(2,410)	Write-downs of deferred charges to be financed from capital resources	(1,451)	
1,403	Net gain on sale of fixed assets	785	
711	Capital grants applied to finance assets on which no depreciation is charged	(710)	
	Difference between amounts debited/credited to the I&E account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	12	
(1,695)	Net charges made for retirement benefits in accordance with FRS17	(1,667)	
(3,068)			(4,474)
	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		
474	Minimum revenue provision for capital financing	551	
1,219	Capital expenditure charged in year to the General Fund Balance	721	
1,233	Employer's contribution payable to the Cumbria Pension Fund and retirement benefits payable direct to pensioners	1,494	2,766
	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 revenue provision for capital financing		
(265)	Net transfer to or from earmarked reserves		89
(400)	Net additional amount required to be credited to the General Fund balance for the year		(1,619)

3. Trading Concerns

The Council operates a number of trading estates. The financial results of these are as follows:

Trading Estates	2007/08 £'000	2006/07 £'000
Expenditure	83	60
Income	(214)	(210)
(Surplus)/Deficit	(131)	(150)

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 2007/08 this amounted to £322,342, (2006/07: £278,265).

	2007/08 £000
Advertising Vacancies	55
Statutory Notices	28
Regeneration Initiatives	43
Promotions General	196
Total	322

5. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) 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.

In 2007-08 there has been no expenditure under these powers and similarly there was no such expenditure in 2006/07.

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 2007/08

	Non Chargeable		Chargeable		Total	
	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000
Expenditure						
Employee Expenses	170	173	213	207	383	380
Premises	19	9	7	13	26	22
Transport	14	12	17	19	31	31
Supplies & Services	16	16	27	50	43	66
Central and Support Service Charges	18	16	39	39	57	55
Total Expenditure	237	226	303	328	540	554
Income						
Building Regulation Charges			(368)	(344)	(368)	(344)
Miscellaneous Income	(16)	(1)			(16)	(1)
Total Income	(16)	(1)	(368)	(344)	(384)	(345)
(Surplus) / Deficit for Year	221	225	(65)	(16)	156	209

7. Business Improvement District Revenue Account

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

	2007/08 £	2006/07 £
Income		
BID Levy Income	(74,583)	(74,566)
Expenditure		
Transfer to Keswick Bid Limited	71,915	70,180
	(2,668)	(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 2007/08 the Council was reimbursed £1,931,700 for such services rendered, (£1,696,479 in 2006/07).

9. Local Area Agreement

Local Area Agreements, (LAA's), are aimed at improving the effectiveness and efficiency of the way government works with local authorities and their partners to improve public services. The process is designed to deliver national outcomes in a way that reflects local priorities.

Cumbria has a County-wide agreement with Government to deliver on a range of issues. The document is presented under four blocks; but is focused around five key themes

- Children and Young People
- Economic Development and Enterprise
- Healthy Communities and Older People
- Safer and Stronger Communities
- Liveability

For the 2007 LAA, a range of Government funding streams were brought together to support the delivery of the LAA. This totalled at just over £13 million in Cumbria. Partners also agreed to align some of their mainstream funding with achieving the outcomes in the LAA.

The Cumbria LAA has been developed around shared outcomes. Some of these are mandatory and have been set by National Government. However, many of the outcomes have been developed to address local priorities already identified in existing strategies, or highlighted through consideration of Cumbria's evidence base.

Allerdale Borough Council is one of a number of partner bodies to the agreement, which are listed below:

Arts Council – North West	Cumbria Vision Eden LSP
Barrow Borough Council	Eden District Council
Carlisle City Council	Environment Agency
Carlisle LSP	Furness Partnership
Chamber of Commerce and Industry	Further Education
Churches together in Cumbria	Government Office North West
Connexions Cumbria	Higher Education
Copeland Borough Council	Invest In Cumbria
Cumbria Association of Local Councils	Job Centre Plus
Cumbria Assoc. of Councils for Voluntary Services	Lake District National Park
Cumbria PCT	National Probation Service
Cumbria Sports	National Trust
Cumbria Community Foundation	Natural England
Cumbria Constabulary	North West Development Agency
Cumbria Cultural Forum	South Lakeland District Council
Cumbria Housing Group Partnership	South Lakeland LSP
Cumbria Learning and Skills Council	Sport England North West
Cumbria Local Enterprise Agency	Voluntary Action Cumbria
Cumbria Police Authority	Youth Offending Service
Cumbria Rural Enterprise Agency(CREA)	West Cumbria LSP
Cumbria Tourism	West Lakes Renaissance

Cumbria County Council is the accountable body for the agreement. During 2007/08, Allerdale Borough Council received £813,782 of grant under the Safer and Stronger Communities theme.

10. Members' Allowances and Officers Remuneration

- a) The total allowances paid to Members in 2007/08 was £244,430, (£254,541 in 2006/07).
- b) The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000 was:

Remuneration Band	Number of Employees	
	2007/08	2006/07
£50,000 - £59,999	0	2
£60,000 - £69,999	3	1
£70,000 - £79,999	0	0
£80,000 - £89,999	0	0
£90,000 - £99,999	0	1
£100,000 - £109,999	1	0
Total	4	4

11. Related Party Transactions

The 2007 Accounting Code of Practice requires information in respect of material transactions with related parties to be disclosed. A number of these transactions have already been disclosed within the financial statements as follows:

- a) Transactions with Central Government and Parish Councils have been disclosed within the Income and Expenditure Account, Cashflow Statement and Collection Fund Account.
- b) Transactions with the County Council and Police Authority are disclosed in the Collection Fund Account
- c) Transactions with the Pension Fund are disclosed in the Statement of Account Policies and note 31 to the Core Financial Statements.

The following are the material transactions with related parties, which were undertaken in 2007/08, and which are not disclosed elsewhere within the Accounts:

	Income £	Expenditure £
Age Concern	90	38,830
Brown & Armstrong (Contractor) Neighbourhood Renewal	NIL	649,455
Carlisle Leisure	22,863	690,677
Citizens Advice Bureau	7,581	30,000
Cockermouth Partnership	NIL	9,335
Cumbria Community Foundation	NIL	75,000
Derwent & Solway Housing Association	37,621	6,757,001
Lakes College	350	26,210
Maryport Developments Ltd	NIL	47,962
West Cumbria Development Agency/Fund	100,429	106,211
West Lakes Renaissance	988	25,000
Westfield Housing	6,159	750,987

12. Audit Costs

In 2007/08, the Council incurred the following fees relating to external audit and inspection work:

	2007/08 £'000	2006/07 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	97
Fees payable to the Audit Commission in respect of statutory inspection	7	5
Fees payable to the Audit Commission for the certification of grant claims and returns	40	60
Fees payable in respect of other services provided by the appointed auditor	0	0
	163	162

13. Operational and Non-operational Fixed Assets

The balance of net fixed assets at 31 March 2008 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 2007	27,221	391	991	13,716	1,880	44,199
Accumulated depreciation and impairment	(2,126)	(188)	(345)	(1,427)	0	(4,086)
Net book value of assets at 31 March 2007	25,095	203	646	12,289	1,880	40,113
Movements in 2007/08:						
Additions	1,072		49	1,283		2,404
Disposals						
Transfers		105	(105)			
Revaluations						
Depreciation	(719)	(58)	(199)	(519)		(1,495)
Impairments	(335)					(335)
Net book value of Assets at 31 March 2008	25,113	250	391	13,053	1,880	40,687

Non-operational Assets

	Investment Property £'000	Surplus Assets £'000	Assets under Construction £'000	Total Non-Operational Assets £'000	Total Fixed Assets £'000
Gross value at 31 March 2007	17,659	24,824	207	42,690	86,889
Accumulated depreciation and impairment	0	0	0	0	(4,086)
Net book value of assets at 31 March 2007	17,659	24,824	207	42,690	82,803
Movements in 2007/08:					
Additions	22	92	3,097	3,211	5,615
Disposals	(6)	(130)		(136)	(136)
Transfers				0	0
Revaluations	6			6	6
Depreciation				0	(1,495)
Impairments	(25)	(18)		(43)	(378)
Net book value of Assets at 31 March 2008	17,656	24,768	3,304	45,728	86,415

13.1 A summary of fixed assets held at 31 March 2008 is provided below:

Operational Assets

	Number	Total value £'000
Land and Buildings		
Office accommodation	9	2,650
Depots & stores	4	470
Public car parks:		
- pay and display	20	10,347
- free	8	143
Public conveniences	30	852
Sports & leisure centres	3	8,151
Museums, theatres & public halls	6	2,500
		25,113
Vehicles & plant		
Vehicles	3	143
Equipment	2	107
		250
Intangible Assets		
IEG funded software		245
Payroll software		90
Solway Discovery Centre-intellectual property		56
		391
	Number of schemes	
Infrastructure assets:		
Various infrastructure works	50	13,053
		13,053
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	9,702
Residential	3	215
Industrial estates	10	2,673
Miscellaneous commercial lettings	25	5,066
		17,656
Surplus Assets		
Miscellaneous vacant land	23	24,768
Assets under construction	2	3,304
Total asset value at 31 March 2008:		86,415

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	45

13.3 Basis of Valuation of Fixed Assets

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

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

Revaluation of these assets is on a 5 yearly basis, last undertaken on 1 April 2004. John Windsor, the Council's Valuer, performed an interim review of the Property Asset Register in April 2008 and provided a report to the Head of Finance on 25 April 2008, indicating amendments required.

13.4 Depreciation of Fixed Assets

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

	Cumulative Depreciation 1 April 2007	Actual Depreciation 2007/08	Adjustment to Cumulative Depreciation 2007/08	Cumulative Depreciation 31 March 2008
	£'000	£,000	£'000	£'000
Operational Assets				
Land and Buildings	2,126	719	0	2,845
Equipment and Vehicles	188	110	0	298
Intangible Assets	345	147	0	492
Infrastructure Assets	1,427	519	0	1,946
	4,086	1,495	0	5,581

14. Capital Expenditure and Financing

	2007/08	2006/07
	£'000	£'000
Capital investment:-		
Operational assets	2,404	1,694
Non-operational assets	3,211	1,137
Deferred Charges	4,474	3,756
Long term debtors	0	75
Sources of finance:-		
Borrowing	(2,389)	(2,448)
Capital receipts	(1,294)	(125)
Government grants and other contributions	(5,685)	(2,870)
Sums set aside from revenue	(721)	(1,219)
	0	0

15. Commitments under Capital Contracts

Outstanding commitments under capital contracts at 31 March 2008 were: -

	2007/08 £'000
Destination Maryport	415
Workington Public Realm works - Paving	25
- The Hub	50
Wigton Market Hall	158
Derwent Water Foreshore	900
Harrington Marina	55
Carnegie Theatre roof	50
Solway House roof	73
Renewal Areas	
Maryport	49
Derwentside	59
Grants -	
Renovation	284
Maryport Townscape Heritage Initiative	121
Workington Townscape Heritage Initiative	15
	2,254

16. Movement on Deferred Charges

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

	Balance at 1.4.07	Expenditure in year	Charged to Revenue in year	Financed from Grant in year	Balance at 31.3.08
	£'000	£'000	£'000	£'000	£000
Total 2006/2007	0	3,756	(2,410)	(1,346)	0
Renovation grants	0	578	0	(578)	0
Renewal Areas/Unfit properties	0	1,970	0	(1,970)	0
Other grants/expenditure	0	1,926	(1,451)	(475)	0
Total 2007/2008	0	4,474	(1,451)	(3,023)	0

17. Intangible Fixed Assets

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

	Purchased software/licences £'000
Original cost	991
Amortisations to 1 April 2007	(345)
Balance at 1 April 2007	646
Transfer to Fixed Assets (Equipment)	(105)
Expenditure in 2007/08	49
Written off to revenue in 2007/08	(199)
Balance at 31 March 2008	391

18. Leases

18.1 Finance Leases

The Council has no commitments under finance leases.

No new assets were acquired under finance leases during 2007/08.

18.2 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 2007/08 was £2,454 (2006/07: £10,374).

The Council is committed to making payments of £1,529 under these leases in 2008/09, comprising the following elements:

	£
Leases expiring in 2008/09	0
Leases expiring between 2009/10 and 2010/11	1,529

The Council also paid £885 in 2007/08 in respect of secondary rentals for finance leases. No contractual liability exists in respect of payments under these leases.

The Council acts as a lessor in respect of land and property owned by it and leased to tenants. The value of income from rents associated with these agreements and included within the accounts is £1,452,685.

19. Long Term Debtors

	2007/08 £'000	2006/07 £'000
Housing Associations	79	84
Mortgages	2	4
Officers' Car Loans	4	23
Commercial Organisations	68	75
Other Local Authorities	0	31
	153	217

20. Stocks and Stores

	2007/08 £'000	2006/07 £'000
Stocks	39	25
	39	25

21. Debtors and Payments in Advance

	2007/08 £'000	2006/07 £'000
Government Departments	207	149
Department of Work and Pensions	171	165
HM Customs & Excise	782	498
Other Authorities	790	857
NNDR Pool	813	1,029
Sundry Debtors	5,644	3,709
Council Tax/NNDR	3,027	2,732
	11,434	9,139
Provision for Bad and Doubtful Debts		
- Sundry	(118)	(143)
- Council Tax/NNDR	(1,603)	(1,406)
- Benefits	(414)	(391)
	9,299	7,199

22. Investments

	31.3.08 £'000	31.3.07 £'000
Long Term		
Miscellaneous Bonds and Annuities	20	20
Short Term		
Internally managed Temporary Investments	12,579	15,350
Externally managed Temporary Investments	10,541	10,438
	23,140	25,808

23. Creditors and Receipts in Advance

	2007/08 £'000	2006/07 £'000
Creditors		
General Creditors	(1,653)	(6,374)
Local Authorities	(6)	(62)
Government Departments	(26)	(6)
Cumbria County Council	(334)	(368)
Lancashire County Council	(293)	(10)
Inland Revenue	(195)	(194)
Department for Work and Pensions	(31)	0
Creditors Retention on Capital Projects	(344)	(108)
Precepting Authorities	(479)	(456)
	(3,361)	(7,578)
Receipts In Advance		
Receipts in Advance - General	(1,438)	(1,789)
Receipts in Advance - Local Authority	(81)	(47)
Receipts in Advance - Government Departments	(31)	0
Receipts in Advance - NNDR	(180)	(348)
Receipts in Advance - Council Tax	(453)	(461)
	(2,183)	(2,645)
	(5,544)	(10,223)

The balance of Sundry Creditors is significantly lower in 2007/08 mainly as a result of £4.15m held temporarily on behalf of NWDA in 2006/07, relating to Workington Town Centre development. A similar movement is reflected in Short Term Investments, note 22.

24. Bank Overdraft

The figure presented in the Balance Sheet reflects the balance on the Council's bank accounts adjusted for items which have been included within the Statement of Accounts prior to 31 March 2008, but not yet through the bank accounts. The actual bank balance at 31 March was £42,048, (£133,789 at 31 March 2007).

25. External Borrowing

Sources of Borrowing

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Long Term Borrowing		
Public Works Loan Board	18,428	18,198
Local Bonds	30	30
Trust Funds	70	70
Short Term Borrowing	5,887	368
	24,415	18,666

Analysis of loans by maturity

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Less than 1 year	6,207	426
Between 1 & 2 years	103	101
Between 2 & 5 years	121	111
Between 5 & 10 years	285	261
More than 10 years	17,700	17,767
	24,415	18,666

26. Provisions

Liabilities in the Balance Sheet include the following provisions

	2007/08 £'000	2006/07 £'000
Insurance Excess Provision	244	254
Early Retirement	12	23
Government Departments	19	18
	275	295

Within the provisions shown on the Balance Sheet is an amount of £244,387 which has been set aside to meet uninsured liabilities, such as the £5,000 excess on the Council's Public Liability and Employer's Liability insurance in respect of notified claims and claims incurred but not reported. Details of the movement within the year on this account are shown below.

	£'000
Balance at 1 April 2007	254
Payments made	(10)
Additions to provisions	0
Balance at 31 March 2008	244

Notified Claims

- At 31 March 2008, the gross estimated value of settlement costs in respect of outstanding notified liability claims was £156,880. Of this, the Council is liable to pay £37,500 and the Council's insurers the balance of £119,380.

Claims incurred but not reported:

- At 31 March 2008, the Council's estimated liability in respect of claims incurred but not reported was £105,000.

In addition to the above Provision, Earmarked Reserves (see note 29(g), below) include the sum of £100,000 to meet outstanding commitments in respect of obligations arising from the cessation of business of Municipal and Mutual Insurance, the Council's former insurers.

27. Government Grants Deferred

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

	2007/08	2006/07
	£'000	£'000
Brought forward 1 April	(6,098)	(5,674)
Additions	(3,373)	(813)
Amortisation	431	389
Carried forward 31 March	(9,040)	(6,098)

28. Capital Grants Unapplied

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

	2007/08	2006/07
	£'000	£'000
Balance as at 1 April	(1,312)	(134)
Capital Grants received	(5,415)	(4,048)
Used to finance deferred charges	3,023	1,346
Transferred to Government Grants Deferred	2,661	1,524
Balance at 31 March	(1,043)	(1,312)

29. Movement on Reserves

Summary of Movements

Reserve	Balance at 1 April 2007 £'000	Net Movement in year £'000	Balance at 31 March 2008 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	0	0	Account for Revaluation of Assets above net book value	See note (a) below
Capital Adjustment Account	62,915	(1,181)	61,734	Store of capital resources set aside to meet past expenditure	See note (b) below
Financial Instruments Adjustment Account	0	(212)	(212)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See note (c) below
Deferred Capital Receipts	32	(31)	1	Proceeds from mortgages to be received at a future point	See note (d) below
Usable Capital Receipts	3,203	(329)	2,874	Proceeds of fixed assets sales available to meet future capital investment	See note (e) below
Pensions Reserve	(11,381)	(7,829)	(19,210)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 31 below
General Reserve	5,202	(1,079)	4,123	Resources available to meet future running costs of the Council	See note (f) below
Earmarked Reserves	8,790	89	8,879	Reserves set aside for specific purposes or commitments	See note (g) below
	68,761	(10,572)	58,189		

a) Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve, (see Accounting Policy Statement, note 5). The Revaluation Reserve replaces the Fixed Asset Restatement Account, (FARA). The credit balance of £23 million on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account with a balance of £62.9 million. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

	2007/08 £'000
Balance as at 1 April	0
Upward revaluations	(6)
Realised revaluation	6
Balance at 31 March	0

b) Capital Adjustment Account

The Capital Adjustment Account records the sources of finance through which capital expenditure is funded. The opening balance at 1 April 2007 is made up of the balance on the Fixed Asset Statement Account and the Capital Financing Account at 31 March 2007.

	2007/08 £'000
Balance as at 1 April	62,915
Depreciation	(1,495)
MRP	551
Deferred Charges	(1,450)
Financing of capital	1,294
Revenue contribution to capital	721
Amortisation of Grants	431
Capital receipt re long term debtor	(13)
Realised Revaluations	6
Disposal of Fixed Assets	(136)
Capital grants	(711)
Impairments	(379)
Balance at 31 March	61,734

c) Financial Instruments Adjustment Account

	2007/08 £000's
Balance as at 1 April	(224)
Interest charged to SMGFB	12
Balance as at 31 March	(212)

d) Deferred Capital Receipts

	2007/08 £000's	2006/07 £000's
Balance as at 1 April	32	48
Receipts	(31)	(16)
Balance as at 31 March	1	32

e) Useable Capital Receipts Reserve

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

	2007/08 £'000	2006/07 £'000
Balance as at 1 April	3,203	1,380
Capital Receipts	965	1,952
Receipts applied during year	(1,294)	(129)
Balance at 31 March	2,874	3,203

f) General Fund Reserves

	31.03.08		31.03.07	
	General Fund £'000	Collection Fund £,000	General Fund £'000	Collection Fund £'000
Balance as at 1 April	5,142	60	5,838	11
Application of Balances	(1,081)		(696)	
Increase/(Reduction) in Surplus		2		49
Balance at 31 March	4,061	62	5,142	60

g) Earmarked Reserves

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

	31.3.07 £'000	Additions £'000	Applications £'000	31.3.08 £'000
Environment	637	129	(153)	613
Interest Rate Fluctuations	253			253
Town Centre Development	205			205
Finance and Asset Management	1,296	104	(543)	857
Planning Delivery Grant	68	243	(67)	244
Front Line Services	532	104	(219)	417
New Technology Fund	1,784	9	(500)	1,293
Legal	100	62	(78)	84
Derwent Forest Development	350			350
Port of Workington Development	380			380
Regeneration	911	147	(303)	755
LABGI	545		(138)	407
Corporate Strategy Implementation	188	1,650	(20)	1,818
Corporate Services	545	229	(299)	475
Strategic Policy & Parking	194	66	(177)	83
Grass Cutting	243			243
Capital Fund	464		(157)	307
Miscellaneous	95			95
	8,790	2,743	(2,654)	8,879

30. Financial Instruments

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

a) Financial Instruments Balances

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

i) Financial Liabilities held at Amortised Cost

	Long-Term		Current	
	2007/08 £'000	2006/07 £,000	2007/08 £'000	2006/07 £'000
Borrowing	18,531	18,298	5,884	368
Operational Creditors	0	0	2,918	6,928
Bank Overdraft	0	0	1,329	0
Total	18,531	18,298	10,131	7,296

ii) Loans and Receivables held at Amortised Cost

	Long-Term		Current	
	2007/08 £'000	2006/07 £,000	2007/08 £'000	2006/07 £'000
Investments	20	20	12,305	15,326
Long term debtors	153	217	0	0
Operational Debtors (Gross)	0	0	1,054	1,916
Total	173	237	13,359	17,242

iii) Fair Value through Profit and Loss

	Long-Term		Current	
	2007/08 £'000	2006/07 £,000	2007/08 £'000	2006/07 £'000
Investments – Fair Value	0	0	10,541	10,462
Total	0	0	10,541	10,462

NB

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

b) Gains and Losses on Financial Instruments

The Gains and Losses recognised in the Income and Expenditure Account in 2007/08 and STRGL, (if appropriate), in relation to financial instruments, are as follows:

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

Comparative information for financial year 2006/07 is as follows:

	Financial Liabilities Amortised Cost	Financial Assets Loans and Receivables	Financial Assets Fair Value
	£'000	£'000	£'000
Interest Costs	968	0	0
Impairment Losses (Bad Debt Provision)	0	143	0
Interest Payable and Similar Charges	968	143	0
Interest Income	0	(949)	(463)
Gains on De-recognition	0	0	0
Interest & Investment Income	0	(949)	(463)
Net Gain/(Loss) for year	968	(806)	(463)

c) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of PWLB debt has provided, for both 31 March 2007 and 31 March 2008, by the Public Works Loan Board. The 2008 figure has been calculated by reference to the premature repayments set of rates in force on that day and the 2007 figure by reference to the set of interest rates in force on 30 March 2007.
- early repayment or impairment is not recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008		31 March 2007	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£000	£000	£000	£000
Financial Liabilities:				
PWLB debt	18,169	24,288	18,198	22,439
Other	101	101	101	101
Financial Assets:				
Loans and receivables	12,478	12,478	15,543	15,543

Financial Liabilities

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rates increases the amount that the authority would have to pay if the lender agreed to early repayment of the loans.

Financial Assets

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

d) Nature and Extent of Risks arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

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

i) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score for short term rating of F1 and for deposits in excess of three months, a minimum long term rating of AA. The Council has a policy of not lending any more than £3 million of its surplus balances to one institution at any one time.

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

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

	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
	A	B	C	(A X C)
Deposits with banks and financial institutions	22,846	0	0	0
Customers (Debtors)	1,054	1.3	4	42
				42

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

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

	£'000	£'000
Long Term Debtors		153
Debtors (Gross)	11,434	
Payments in advance	(285)	11,149
		11,302
Non contractual debtors		(10,248)
		1,054

The Council makes provision to cover potential bad debts within its accounts. The level of provision at 31 March 2008 is as follows:

	£'000
Balance at 1 April 2007	144
Reduction in required provision	26
Balance at 31 March 2008	118

The Council generally expects its customers to settle outstanding accounts within 28 days. £472,000 of the outstanding debt is past its due date for payment. The aged debt analysis of this debt is as follows:

	£'000
1 to 6 months	62
6 to 12 months	39
Over 12 months	371
	472

ii) Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	£'000
Less than 1 year - Creditors	3,623
- Borrowings	5,945
Between 1 and 2 years -	103
Between 2 and five years	121
Between 5 and 10 years	285
More than 10 years	17,700
	27,777

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

iii) Market Risk

Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Impact and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Investments managed in house are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Income and Expenditure Account or the STRGL. Movements in the fair value of externally managed investments will, however, be recognised in the Income & Expenditure Account.

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

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

According to this assessment strategy, at 31st March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	1
Increase in interest receivable on variable rate investments	(316)
Impact on Income & Expenditure account	(315)
Increase/(Decrease) in fair value of fixed rate borrowings (no impact on I & E account or STRGL)	(3,860)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed

31. Pensions

Participation in Pension Schemes

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

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

The Council and its employees pay contributions into a fund, calculated at a level intended to balance previous liabilities with investment assets. For 2007/08, the contributions were 17.3% and 6% of pensionable pay, respectively.

Transactions Relating to Retirement Benefits

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

Local Government Pension Scheme		
Income and Expenditure Account	2007/08 £'000	2006/07 £'000
Net Cost of Services		
current service cost	(1,086)	(1,175)
past service costs	(323)	0
curtailment costs	(65)	(205)
Net Operating Expenditure:		
interest cost	(3,088)	(2,817)
expected return on assets in the scheme	2,895	2,502
	(1,667)	(1,695)
Statement of Movement on the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS17	1,667	1,695
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	1,493	(1,233)

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		
	2007/08	2006/07
	£'000	£'000
Estimated liabilities in scheme	(64,328)	(57,394)
Estimated assets in scheme	45,117	46,013
Net asset/(liability)	(19,211)	(11,381)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £19.2 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. Under Statutory arrangements, the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 31 March 2007.

The main assumptions used in their calculations have been:

Local Government Pension Scheme		
	2007/08	2006/07
	%	%
Rate of Inflation	3.6	3.1
Rate of increase in salaries	5.4	4.9
Rate of increase in pensions	3.6	3.1
Rate of discounting scheme liabilities	6.1	5.4
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:

2007/08		Asset Type	2006/07	
Proportion %	Expected Return %		Proportion %	Expected Return %
54.9	7.5	Equities	59.5	7.5
19.9	4.6	Government Bonds	19.8	4.7
10.3	6.1	Other Bonds	9.7	5.4
7.3	6.5	Property	8.4	6.5
4.6	5.25	Cash/Liquidity	2.5	5.25
3.0	7.5	Other Bonds	0.1	7.5
100.0			100.0	

The latest notified market value of total fund assets is £1,194 million, (£1,178 million at last valuation).

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2008:

	2007/08 Local Government Pension Scheme		2006/07 Local Government Pension Scheme		2005/06 Local Government Pension Scheme		2004/05 Local Government Pension Scheme		2003/04 Local Government Pension Scheme	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(2,715)	6	255	0.6	5,621	12.8	1,333	3.6	4,252	12.6
Differences between actuarial assumptions about liabilities and actual experience	(1,303)	2	0	0	(698)	1.2	(182)	0.4	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	(3,639)	5.7	2,733	4.8	(4,353)	7.5	(8,137)	15.8	0	0
Total	(7,657)		2,988		570		(6,986)		4,252	

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.

32. Interest in Companies

At 31 March 2008 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 2007, show a profit for the year of £24,089, (accumulated losses £1,207,584), and net liability amounting to £499,126.

The accounts for the period to 31 March 2008 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:

	2007/08			2006/07
	Expenditure £	Income £	Closing Balance £	Closing Balance £
Harrington Harbour & Dock Board	67	(1,973)	(37,377)	(35,471)
Hugh Barbour Bequest	0	(425)	(8,072)	(7,647)
George Moore Memorial Trust	0	(79)	(1,849)	(1,770)
Helena Thompson Museum	2,468	(941)	(15,104)	(16,631)
	2,535	(3,418)	(62,402)	(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 2008/09.

35. 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 claim 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 £318,000 in respect of these costs.

Tesco Ltd

In 2005, the Council agreed to the sale of land to Tesco Ltd to facilitate the development of a new store. Intrinsic to the arrangements was the repurchase of the lease to the current Tesco store by the Council. In consideration of the development, both sides to the agreement have exchanged deposits relating to the sales and the release of the monies is contingent upon the granting of planning permission to enable the sales to proceed to completion. This gives rise to a contingent asset to the Council in respect of the £900,000 deposit from Tesco Ltd and to a contingent liability in respect of the £275,000 deposited by the Council.

In January 2008, the Council granted planning permission to Tesco Ltd in respect of the proposed development, subject to a successful Section 106 Agreement being achieved. The work to resolve this matter is proceeding but remains outstanding at this time.

Job Evaluation

The 1997 Single Status Agreement and the 2004 National Pay Agreement placed an obligation on local authorities and Trade Unions to undertake local pay reviews in accordance with equal pay legislation. The national pay agreement set a deadline for completion of the pay review by 31 March 2007.

During 2007/08, the Council undertook a job evaluation review of all posts below Heads of Service. The estimated costs of the recommended option were considered by the Council in April 2008. An earmarked reserve of £999,000 has been established to meet the estimated one-off costs associated with the recommended option. It is planned that the process will be completed during 2008/09, but is subject to the successful completion of the appeals process and a decision by Unison National Office and Unison members.

36. Notes to Cash Flow Statement

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

	£'000	£'000
Total (Surplus)/Deficit on all Revenue Accounts:		
Income and Expenditure Account (Surplus)/Deficit	2,700	
Collection Fund (Surplus)/Deficit	(2)	2,698
Non-Cash Transactions		
Net charges made for retirement benefits	(1,667)	
Net gain on sale of fixed assets	751	
Appropriations (to)/from Pensions Asset/Liability Account	1,494	
Amortisation of intangible fixed assets	(199)	
Depreciation and impairment of fixed assets	(1,675)	
Write down of deferred charges	(1,450)	
Capital grants no depreciation charged	(710)	
Provision for premiums on premature repayment of debt	12	
Amortisation of Government Grants	431	(3,013)
Debtors and Creditors		
Net Movement in revenue debtors and creditors	4,608	4,608
Stocks and Provisions		
General Provisions	20	
Provision for Bad Debts		
Movement in Stocks	14	34
Items classified in another category in Cash Flow Statement		
Net interest paid	(1,092)	
Net interest received	1,639	547
Net Cash Flow from Revenue Activities		4,874

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

	£'000
Increase/(Decrease) in Cash in the Period	(1,335)
Cash Inflow/Outflow from Decrease/Increase in Liquid Resources	(3,397)
Cash Inflow/Outflow from Decrease/Increase in Debt and Lease/Deferred Purchase Financing	(5,488)
	(10,220)
Net Funds at 31 March 2007	7,583
Net Debt at 31 March 2008	(2,637)

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

	Balance At 1.4.07 £'000	Cash Flow £'000	Balance At 31.3.08 £'000
Cash at bank and in hand:			
(Overdrafts)/In hand	461	(1,790)	(1,329)
Call Deposits	350	455	805
	811	(1,335)	(524)
Debt due within 1 year	(426)	(5,519)	(5,945)
Debt due after 1 year	(18,240)	31	(18,209)
Current Asset Investments	25,438	(3,397)	22,041
Total	7,583	(10,220)	(2,637)

Note that the analysis of the balance at 1 April 2007 varies from the analysis brought forward, through a transfer of the information presented under Call Deposits to Current Asset Investments.

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
Housing Benefit Administration	879
Housing Benefit fraud investigation grant	14
Housing Benefit (other)	63
Council Tax Subsidy	6,058
Planning Delivery Grant	243
Elections	12
Local Housing Allowance	111
NNDR Cost of Collection Allowance	176
Homelessness prevention	11
LAAG (Local Area Agreement)	814
Housing Regional Pot allocation	2,175
SHG transitional grant	2
Disabled Facilities Grant	310
Housing Market Renewals	55
Homelessness	60
	10,983

Collection Fund

Income and Expenditure Account 2007/08

2006/07 £'000		2007/08 £'000	2007/08 £'000	Note
	Income			
36,814	Council Tax		38,986	2
6,005	Transfers from General Fund - Council Tax benefits		6,134	2
18,991	Income collectable from business ratepayers		20,182	3
61,810			<u>65,302</u>	
	Expenditure			
	Precepts			4
32,161	Cumbria County Council	34,200		
5,145	Cumbria Police Authority	5,467		
4,862	Allerdale Borough Council	<u>5,103</u>	44,770	
	Business Rates			3
18,816	Payment to National Pool	20,006		
175	Cost of Collection Allowance	<u>176</u>	20,182	
	Bad and doubtful debts/appeals			
272	- Write offs		125	
(40)	- Provisions		<u>200</u>	
61,391			<u>65,277</u>	
419	Movement on fund balance - Surplus/(Deficit)		25	5
97	Surplus as at 1 April		<u>516</u>	
516	Surplus as at 31 March		<u>541</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 (NNDR).

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Cumbria Police Authority and 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: 31,690 for 2007/08). The basic amount of Council Tax for a Band D property, (£1,372.45 for 2007/08), 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 £'000
Band A	6/9	914.96
Band B	7/9	1,067.47
Band C	8/9	1,219.96
Band D	9/9	1,372.45
Band E	11/9	1,677.43
Band F	13/9	1,982.43
Band G	15/9	2,287.41
Band H	18/9	2,744.90

The income of £45,120,016 for 2007/08 is receivable from the following sources:

	£
Billed to Council Tax payers	38,986,072
Council Tax Benefit	6,133,944
	45,120,016

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 2007, there were two poundages, namely the basic 44.4p (43.3p in 2006/07), and 44.1p, (42.6p in 2006/07), 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 £20,181,846 for 2007/08, was based on a total rateable value as at 31 March 2008, for the Council's area, of £54,705,041, (£54,525,996 in 2006/07).

4 Precepts and Demands

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

	£
Cumbria County Council	34,200,337
Cumbria Police Authority	5,467,028
Allerdale Borough Council	5,102,660

5 Contributions to Collection Fund Surpluses and Deficits

The balance carried forward relating to Council Tax, (£541,038), will be distributed to the precepting authorities as follows:

	£
Cumbria County Council	413,299
Cumbria Police Authority	66,061
Allerdale Borough Council	61,678

Annual Governance Statement 2007/8

1 Scope of responsibility

- 1.1 Allerdale Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Allerdale Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Allerdale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Allerdale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.allerdale.gov.uk/council-and-democracy/councillors-democracy-election/policies-and-plans.aspx> . This statement explains how Allerdale Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

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

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Allerdale Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Allerdale Borough Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

3 Application of Governance Principles

- 3.1 The Council has reviewed its principal statutory obligations and objectives to ensure that:
- There is a mechanism in place to identify principal statutory obligations.
 - There is a mechanism in place to establish organisational objectives.
 - Effective corporate governance arrangements are embedded within the authority.
 - Performance management arrangements are in place.
- 3.2 The Council has reviewed its core principles, set out in its code of governance, and addressed the supporting principles as follows:
- Focussing on the purpose of the authority and on outcomes for the community, including citizens and service users, and creating and implementing a vision for the local area:**

The Council has:

- a. made a clear statement of the authority's purpose and vision in the three year Corporate Improvement Plan and will use it as a basis for corporate and service planning and shaping the community strategy and local area agreements;
- b. reviewed on a regular basis the authority's vision for the local area and its impact in the authority's governance arrangements;
- c. published an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;

- d. begun to consider improvements in processes to assess how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;
- e. recently agreed a process to assess how value for money is to be measured and ensure that the information needed to review value for money and performance effectively is available;
- f. undertaken a review of business continuity. However, it still needs to put in place effective arrangements to deal with a failure in service delivery;
- g. refreshed its partnerships framework to ensure that, when working in partnership, there is a common vision underpinning the work of the partnership that is understood and agreed by all partners.

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

The Council has:

- a. set out a clear statement of the respective roles and responsibilities of the Council's Executive committee and its members, and the authority's approach towards putting this into practice;
- b. set out a clear statement of the respective roles and responsibilities of the Council's other committees, members and senior officers;
- c. developed protocols to ensure effective communication between members and officers in their respective roles;
- d. ensured that regular, recorded meetings between the Leader and Chief Executive take place but has yet to develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- e. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel;
- f. ensured that its vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;

- g. when working in significant partnerships: ensured that there is clarity about the legal status of the partnership; ensured that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability; and ensured that Allerdale representatives make clear to partners the extent of their authority to bind their organisations to partner decisions
- h. ensured that effective mechanisms exist to monitor service delivery;
- i. determined a scheme of delegated and reserved powers within the constitution and ensured that it is monitored and updated when required;
- j. ensured that effective management arrangements are in place at the top of the organisation;
- k. made the Chief Executive responsible and accountable to the authority for all aspects of operational management;
- l. made a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- m. made a senior officer (the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

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

The Council has:

- a. developed and maintained shared values, including leadership values, both for the Council and its staff, reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council. This was last reviewed in 2008;
- b. used the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- c. developed and adopted formal codes of conduct defining standards of personal behaviour;
- d. developed and maintained an effective standards committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- e. put in place arrangements to ensure that members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;

- f. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice;
- g. in pursuing partnerships, agreed a set of values against which decision making and actions can be judged in line with, having referred to the Partnership Working Framework.

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

The Council has:

- a. developed and maintained an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- b. developed and maintained open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- c. put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- d. put in place arrangements for whistle blowing to which staff and all those contracting with the authority have access;
- e. put in place effective, transparent and accessible arrangements for dealing with complaints;
- f. developed and maintained an effective audit committee which is independent of the executive and scrutiny functions;
- g. developed and maintained an effective standards committee which lies at the heart of decision making and awareness raising on standards issues;
- h. ensured that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- i. developed effective arrangements for determining the remuneration of senior staff;
- j. ensured that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;
- k. ensured that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- l. actively recognised the limits of lawful activity placed on them by the ultra vires doctrine but also strived to utilise their powers to the full benefit of their communities;

- m. observed all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular integrated the key principles of administrative law – rationality, legality and natural justice, into their procedures and decision making;
- n. when working in significant partnerships, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation;
- o. when working in significant partnerships, ensured that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership;
- p. when working in significant partnerships, ensured that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality.

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

The Council has:

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

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

The Council has:

- a. made clear to themselves, all staff and the community, to whom they are accountable and for what;
- b. considered those institutional stakeholders to whom they are accountable and assessed the effectiveness of the relationships and any changes required;
- c. established clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- d. put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements have recognised that different sections of the community have different priorities and have established explicit processes for dealing with these competing demands;
- e. published an annual report giving information on the authority's vision, strategy, plans and financial statements, as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;
- f. put in place effective systems to protect the rights of staff and ensured that policies for whistle blowing, which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place;
- g. developed and maintained a clear policy on how staff and their representatives are consulted and involved in decision making;
- h. developed an annual report on scrutiny function activity;

- i. ensured that the authority as a whole is open and accessible to the community, service users and its staff and ensured that it made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;
 - j. when working in partnership, ensured that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes, using existing mechanisms and groups where appropriate.
- 3.3 To identify the principal risks to the achievement of its objectives, the Council has reviewed the systems and processes in place for the identification and management of strategic and operational risk.
- 3.4 To identify and evaluate the key controls to manage the principal risks, the Council has reviewed its system of internal control, including systems and procedures to mitigate principal risks.
- 3.5 To obtain assurance on the effectiveness of key controls, the Council has obtained assurance statements from appropriate internal and external assurance providers.
- 3.6 The Council has made arrangements to evaluate assurances and identify gaps in the controls and assurances.

4 Review of effectiveness

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

Other key roles are undertaken by:

Council

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

Executive

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

Scrutiny Committees

The Scrutiny Committees are responsible for scrutinising policies and performance.

Standards Committee

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

Corporate Management Team

In 2007/08, CMT consisted of all chief officers and two heads of service, and included the Section 151 officer and Monitoring Officer. The Chief Executive and Directors are responsible for ensuring that adequate and effective systems of internal control are operated.

Internal Audit

The Director of Strategic Resources holds delegated responsibility from the Council for the internal audit function, which is exercised through the Internal Audit service. An effective audit of the Council's accounting records and control systems, in accordance with the Accounts and Audit Regulations 2006, is maintained through this means. The level and type of audit cover has regard to the characteristics and relative risks of the activities involved and supports the work of the external audit service.

External Audit

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

Risk Management and Safety Group

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

Governance Group

The Council's Governance, (Internal Control), Group, consists of a corporate group of officers with responsibilities that feed into the Council's control environment. The group meets throughout the year to review the processes in place which provide the supporting information necessary to produce a Governance statement.

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

5 Significant governance issues and planned improvements

- 5.1 Through the review of effectiveness of the Council's governance framework a number of areas for improvement have been identified.
- 5.2 It is proposed over the coming year to take steps to address these matters to further enhance the Council's governance arrangements. It is believed that these steps will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored and reviewed.

6. Action Plan

- 6.1 Identified governance issues are outlined in the following table, along with proposed actions to be taken to address these in 2008/09.

	Issue	Action	Timescale	Responsible officer
1	<p>Procedures for monitoring legislative change</p> <p>Whilst procedures are in place designed to ensure that legislative change is identified, evaluated, communicated complied with and monitored, there is no evidence of how the system operates or is reviewed. Similarly, there is no evidence of assurance regarding such matters being reported to the Chief Executive.</p>	Develop a suitable system to evidence the operation of procedures and evidence reporting to the Chief Executive	June 2008	Director of Strategic Resources
2	<p>Dissemination of information</p> <p>Although information is disseminated through various channels there is no formal communication strategy for corporate governance and risk management. A strategy is to be formulated in the coming year.</p>	A review of existing communication arrangements for corporate governance and risk management is to be carried and a formal strategy is to be formulated	Dec 2008	Democratic Services Manager and Risk Management and Insurance Officer
3	<p>Corporate Risk Management</p> <p>The Council does not have a corporate risk management board. It has a Risk Management and Safety Group but this has no specific remit to address corporate risk issues and strategies. The 2007 Risk Management Audit Report highlighted that there are recommendations outstanding from the Marsh benchmarking report, including wider roles for the Risk Management and Insurance Officer and the Risk Management Group.</p>	CMT are to critically review the action plan within the Marsh benchmarking report and draft a new action plan for outstanding issues.	Sept 2008	Director of Strategic Resources

	Issue	Action	Timescale	Responsible officer
4	<p>Risk management & Governance training</p> <p>Issues concerning training and competency were identified in an internal audit report on risk management for staff to highlight responsibilities for risk management at different levels of the Council. Training in governance issues, both at induction level and on an ongoing basis, were identified in managers' assurance statements as requiring attention.</p>	<p>Information from appraisals will be used to assess risk management competencies and identify training needs.</p> <p>Specific training will be arranged in order to highlight Service Managers' and individual officer's responsibilities as detailed within the Risk Management Strategy.</p> <p>A competency framework is to be developed for all members of the Executive, Audit and Scrutiny Committees, and any training considered appropriate is to be included on the individual member's training and development plan.</p> <p>Officer training to be updated including training in governance issues.</p> <p>Key officers to be given training in governance issues.</p> <p>Ongoing awareness training to be provided for staff in relation to governance issues.</p>	March 2009	<p>Risk Management and Insurance Officer</p> <p>Training & Development Officer</p>
5	<p>Business Continuity</p> <p>Although a considerable amount of work has been done, exercises that have been held to test plans that have been produced have</p>	<p>Identified issues have been incorporated into an action plan to be overseen by the Emergency Planning Group</p>	March 2009	Head of Environment

	identified areas where additional work is required.			
6	Succession Planning Arrangements have not been completed for all departments.	Ensure that succession planning is completed for all departments	Sept 2008	Head of Human Resources in conjunction with Service Managers

	Issue	Action	Timescale	Responsible officer
7	Management and monitoring of partnership working Whilst the Council does have comprehensive and clearly defined governance arrangements for its significant partnerships further development of the Council's management and monitoring of partnership working is required.	Ensure that the Partnerships Directory is updated at least annually, highlighting key partners Ensure that partnerships are reviewed in the line with the Council's Partnerships Framework, following the prioritised programme already produced	Dec 2008	Senior Corporate Improvement Officer/Partnerships Officer
8	Whistle blowing policy The Council's whistle blowing policy has previously formed part of the Anti Fraud Strategy but has recently been reviewed and recorded as a separate document.	The whistle blowing policy has been made available in the Council's document store and on the internet. Provision is being made to introduce a hot line for the reporting of matters qualifying under the policy.	Sept 2008	Internal Audit Manager
9	Theft, fraud and corruption plan The Council's theft, fraud and corruption plan has become out of date.	The theft, fraud and corruption response plan is being updated and a counter fraud and corruption policy is being developed, for placement in the Council's document store.	Sept 2008	Internal Audit Manager

10	<p>Register of gifts and hospitality</p> <p>The Council does not have an up to date practice through which to record gifts and hospitality offered and/or received.</p>	<p>An electronic corporate gifts and hospitality record is being developed for completion via the intranet.</p>	Sept 2008	Head of Finance
11	<p>Value for Money</p> <p>Corporate Linkages between equality and cost of services are undeveloped</p>	<p>Officers are considering a project which addresses this matter.</p> <p>VFM assessments for all key services are to be introduced, in order to support alignment of cost and performance, through the VFM strategy</p>	March 2009	Head of Corporate Services

7 Conclusions

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

Signed:

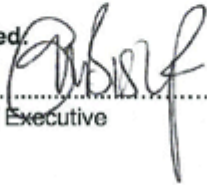


.....
Leader of Allerdale Borough Council

Date:

..... 12/6/08

Signed:



.....
Chief Executive

Date:

..... 16/6/08

Appendix 1

Compliance with the Delivering Good Governance in Local Government Framework in 2007/08

Allerdale Borough Council – Internal Audit

1. Introduction

- 1.1 Since the introduction of the Good Governance Standard for Public Services in 2005, which provided a national framework for assessing good governance practice, the Council has adopted standards to suit the framework. CIPFA/SOLACE has now published an update to the above Standard – a Framework for Delivering Good Governance in Local Government – to make the original Standard directly relevant to Local Government. Internal audit is required to carry out an annual independent review, to provide assurance on the adequacy and effectiveness of corporate governance arrangements and the extent of compliance with the approved Standard.
- 1.2 Due to a lack of resource within the Internal Audit Section during 2007/8 it has not been possible to perform an independent review of the overall corporate governance arrangements. However, the Internal Audit Manager is a member of the Council's Corporate Governance working group and as such has been able to maintain a 'hands on' approach in establishing that adequate arrangements are in place.

In addition internal audit reviews performed throughout the year assist in informing the Internal Audit Manager's opinion on the adequacy of the arrangements in place for the delivery of good governance.

2. Key Findings

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

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

2.2 Within Allerdale Borough Council the existing governance arrangements met some of the new requirements identified in the CIPFA/SOLACE 2007/08 framework. An action plan has been devised and will be put in place to improve the governance arrangements where these are currently considered inadequate. Matters included within the action plan are as follows:

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

3. Conclusion

3.1 From the evidence gathered by the Corporate Governance working group, the internal control statements completed by Service Managers and the work undertaken by the Internal Audit Section throughout the year it is my considered opinion that the overall control environment operating within the Council in order to fulfil the corporate governance arrangements for Delivering Good Governance in the Local Government Framework is effective.

3.2 These arrangements will be enhanced by the implementation of the actions as detailed on the Corporate Governance Statement action plan. Internal Audit will, during 2008/9, be monitoring the implementation of these actions and in addition will perform an independent Corporate Governance internal audit review in order to adequately assess the overall control environment.

Steve McMahon
Internal Audit Manager

June 2008