

# Cumbria County Council

## Annual Financial Report 2011/12

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**1. INTRODUCTION**

- 1.1. The purpose of this Annual Financial Report is to present the Council's financial performance for the year 2011/12 and the overall financial position of the Council as at 31<sup>st</sup> March 2012. This foreword provides a general guide to the main aspects of the Statement of Accounts and summarises key aspects of the financial performance of the Council.

**2. THE STATEMENTS**

- 2.1 This is the second year that Local Authorities have been required to prepare their Accounts on the basis of full adoption of International Financial Reporting Standards (IFRS).

- 2.2 In accordance with the Code of Practice on Local Authority Accounting, the following financial statements are included in the Statement of Accounts (the Council's financial statements are set out in Section 3) :-

- ***Comprehensive Income and Expenditure Statement.*** This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- ***Movement in Reserves Statement.*** This identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.
- ***Balance Sheet.*** This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- ***Cash Flow Statement.*** This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- 2.3 In addition, the Statement of Accounts include the Accounting Policies of the Council set out in Section 4, specific notes and other explanatory information are set out in Section 5. The Group Accounts which set out the accounts of the Council and its subsidiary companies are contained in Section 6. Accounts in respect of the **Cumbria Local Government Pension Scheme** and the **Fire Fighters' Pension Scheme** which the Council administers are contained in Section 7. A glossary of terms is provided to assist the reader to understand key words and financial terminology in Section 9. The Annual Governance Statement which describes the arrangements by which the Council conducts its business was approved by the Audit and Assurance Committee at its meeting on 26<sup>th</sup> September 2012 and it accompanies the Statement of Accounts.

**3. REVIEW OF 2011/12**

- 3.1 This section provides background to the Council's financial strategy and budget for 2011/12 and provides comparison of actual expenditure for the year with that budgeted. This provides an indication of financial stewardship, in terms of how well the Council has managed the resources allocated to services.

**Revenue Budget 2011/12**

- 3.2 The Council's budget for 2011/12 was set in the context of the very significant cuts in Government expenditure announced by the Government in its Comprehensive Spending Review in October 2010. Local Government faced the biggest reduction in funding of all government departments, with savings front loaded for the first two years.
- 3.3 In addition, the Council faced other pressures such as inflation, demographic growth and the cost of implementing a new "Single Status" pay structure which was necessary to comply with equal pay and national pay agreement requirements. As a result the revenue budget for 2011/12 was required to make total savings of £44.0m to meet a reduction in non-school government grants of £26.2m, service pressures and developments of £11.5m and inflation and corporate items of £6.3m. This magnitude of savings and the scale of service and structural change required to achieve it were unprecedented. Given the scale of reductions the Council carried out a comprehensive public and stakeholder consultation on all savings proposals, focusing on the Council Plan, priorities and options on changes to services.
- 3.4 The Budget proposal agreed by Council in February 2011 contained efficiencies and savings of £29m, including the re-engineering of the Council to deliver services in a different, more cost effective manner through the Council's Better Programmes, and reductions in services where Government ended specific grants of £15m. The budget included £7.2m for the transfer of responsibility for Concessionary Fares to the Council from 1st April 2011, reflecting the funding provided by Government.

- 3.5 The Council agreed the Budget for 2011/12 at the Council meeting in February 2011. The net revenue budget requirement for 2011/12 was agreed at £364.546m. The level of Council Tax was unchanged from the previous year.

**Revenue Outturn 2011/12**

- 3.6 The Council actively monitored and managed delivery of the 2011/12 Budget throughout the year. The Original Budget allocations to Directorates were revised for transfers of budget within the overall originally approved total for Directorate and central spending and also for a net transfer of resources to earmarked reserves of £19.203m, which is reflected in a reduction of the final budget for Total Net Expenditure.
- 3.7 Transfers affecting Directorate budgets with no overall impact on Net Expenditure included: to reflect the transfer of responsibility for school transport from Children's Services to Environment (£16.617m); transfer of Dedicated Schools Grant from Children's Services to Resources (£2.700m); accounting adjustments for depreciation of IT assets in Organisational Development (£4.900m); and transfer of budget for past service pension costs previously charged as a supplement on employers pension contributions within Directorate budgets to become a centrally made charge (£7.373m). In addition, allocations were made to Directorates from the Contingency, mainly to cover inflation.
- 3.8 Adjustments made to the Original Budget for transfers to and from earmarked reserves reflected the active management of resources and transfer of budget between financial years. This resulted in a net increase in budgeted transfers to earmarked reserves of £19.203m, which among other adjustments included for underspending on schools/DSG (net £12.700m), grants to be applied in future years (net £10.670m), less net allocations for equal pay and modernisation (£6.016m). The movements in earmarked reserves are detailed further in paragraph 4 below and in Note 45.
- 3.9 The year end outturn Net Expenditure was £344.454m, which was an underspend of £2.388m against the approved revised budget. Table 1 shows the net revenue position at the year end confirmed at the Council meeting on 21<sup>st</sup> June 2012. The "Amounts Reported for Resource Allocation Decisions" at Note 4 of the Accounting Statements provides a more comprehensive analysis of income and expenditure by category.

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**Table 1 – Revenue Outturn 2011/12**

ORIGINAL BUDGET £000	FINAL BUDGET £000	OUTTURN £000	VARIATION FROM BUDGET £000	VARIATION FROM BUDGET %
<b>Directorate</b>				
94,643 Children's Services	67,189	67,372	183	0.3%
154,861 Adults and Local Services	148,913	148,665	(248)	(0.2%)
62,927 Environment	91,733	95,424	3,691	4.0%
24,924 Safer Stronger Communities	24,676	24,580	(96)	(0.4%)
15,760 Local Committees	15,064	15,064	0	0.0%
4,277 Chief Executive	3,901	3,795	(106)	(2.7%)
13,526 Organisational Development	20,275	20,827	552	2.7%
15,030 Resources	13,811	13,974	163	1.2%
(140) Other Items Charged Corporately	1,286	1,170	(116)	(9.0%)
<b>385,808 Total Service Expenditure</b>	<b>386,848</b>	<b>390,871</b>	<b>4,023</b>	<b>1.0%</b>
(21,518) Other items	(40,006)	(46,417)	(6,411)	16.0%
<b>364,290 Total Net Expenditure</b>	<b>346,842</b>	<b>344,454</b>	<b>(2,388)</b>	<b>(0.7%)</b>
(48) Transfer to/ (from) general reserves	(1,499)	889	2,388	
304 Transfer to/(from) earmarked reserves	19,203	19,203	0	
<b>364,546 Net Budget Requirement</b>	<b>364,546</b>	<b>364,546</b>	<b>0</b>	
<b>Sources of Finance</b>				
158,530 Formula Grant	158,530	158,530		
206,016 Income from Council Tax	206,016	206,016		
<b>364,546</b>	<b>364,546</b>	<b>364,546</b>		

3.10 The overall net underspend of £2.388m reflects favourable variances on centrally managed "Other Items" of £6.411m, which more than offset Directorate service pressures of £4.023m. The £6.411m underspend on centrally managed items includes a reduced requirement for Single Status in year transition costs (£2.616m), treasury management savings (£3.068m), contingency not required as a result of careful management of expenditure (£0.556m) and other items including precept required by other bodies and grant adjustments (£0.171m).

3.11 The main pressures on service spending were an underachievement of planned savings on Waste Management from review of the household waste recycling centres network and kerbside recycling by District Councils (£2.294m) and Concessionary Fares (£1.065m), which were transferred to the Council from April 2011 with costs in excess of the grant allocation. Other pressures within Directorates, including the phasing of Directorate restructurings, above budget costs of Looked After Children and delivery of the Carbon Shift Plan have been mitigated through careful management of budgets to minimise expenditure where possible, and in particular, the strict management of vacancies which commenced in 2010/11.

3.12 The net underspend of £2.388m has been transferred to the General Fund and with the approved transfer of £1.499m to earmarked reserves this has resulted in a net increase in the General Fund balance of £0.889m.

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**4. RESERVES**

- 4.1 The General Fund balance at 31st March 2012 is £15.756m, with the increase of £0.889m over the year, strengthening the Council's financial position against the major financial challenges that lie ahead with the prospect of further expenditure reductions. This General Fund balance is in line with the Reserves and Balances Strategy of the Council in the Medium Term Financial Plan and endorsed by Council during budget setting.

**Table 2 – Movement on Revenue Reserves**

	MARCH 2011 £000	TRANSFERS			Net Movement £000	MARCH 2012 £000
		OUT £000	IN £000	INTER £000		
<b>General Fund</b>	<b>14,867</b>		<b>889</b>		<b>889</b>	<b>15,756</b>
<b>Earmarked Reserves</b>						
<b>Schools &amp; DSG Reserves</b>	<b>354</b>	<b>(4,765)</b>	<b>17,465</b>		<b>12,700</b>	<b>13,054</b>
<b>Non-school Reserves</b>						
Revenue Grants	17,003	(2,836)	10,896	2,610	10,670	<b>27,673</b>
Equal Pay & Modernisation	31,542	(6,327)	311		-6,016	<b>25,526</b>
Insurance	4,402	(946)	1,063		117	<b>4,519</b>
Other Directorate Reserves	10,426	(5,085)	9,437	(2,610)	1,742	<b>12,168</b>
	<b>63,373</b>	<b>(15,194)</b>	<b>21,707</b>	<b>0</b>	<b>6,513</b>	<b>69,886</b>
<b>Total Revenue Reserves</b>	<b>63,727</b>	<b>(19,959)</b>	<b>39,172</b>	<b>0</b>	<b>19,213</b>	<b>82,940</b>
<b>Reserves for Capital Purposes</b>	<b>5,331</b>	<b>(10)</b>			<b>(10)</b>	<b>5,321</b>
<b>Total Earmarked Reserves</b>	<b>69,058</b>	<b>(19,969)</b>	<b>39,172</b>	<b>0</b>	<b>19,203</b>	<b>88,261</b>

- 4.2 Total revenue earmarked reserves at 31<sup>st</sup> March 2012 were £88.261m, a net increase of £19.203m over the year. This reflects contributions in year of £39.172m and drawdowns of £19.969m.

- 4.3 The most significant movements in reserves contributing to the net increase of £19.203m compared with the Original Budget included:

- A net increase in Schools and DSG Reserves of £12.700m, comprising a net increase in balances held by individual schools of £3.789m and in balances related to centrally managed budgets of £8.911m. The net increase on balances held by individual schools was after withdrawals of £4.421m, with the overall increase attributable to an improvement in the financial position of schools in deficit (£3.192m). The net increase in balances for centrally managed budgets of £8.911m related to underspending on central budgets for special needs and targeted services and revised allocations for schools that transferred to academy status. These balances are fully ring-fenced for future spending on schools.

- A net increase in the Revenue Grants reserve, reflecting grants that have been received in 2011/12 but which will not be applied until future years (£10.670m). These include £7.820m for the Carlisle North Development Route PFI. These receipts and their carry forward were anticipated in the Council's overall resource planning for the year, but were not reflected in full IFRS accounting detail for the Original Budget.
- The drawdown from the Equal pay and Modernisation Reserve of £6.327m of which £1.792m was to fund pay protection following implementation of the Single Status pay agreement on 30<sup>th</sup> September 2011, £1.500m for implementation team costs and £3.035m in respect of redundancies as part of the Council's budget strategy.
- A net increase in the Insurance Reserve of £0.117m advised by professional assessment of future claims risk.
- The carry forward and drawdown from Directorate operational reserves as detailed in Note 45, a net increase of £1.742m. These include the carry forward of budget across financial years for various property commitments and underspending on Local Committee budgets.

## **5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

- 5.1 The Council's approach to budget management reporting, reflected in the summary in Table 1 is based on the requirements for Council Tax calculation. This differs from the Comprehensive Income and Expenditure Statement (Page 17) that is required to comply with International Financial Reporting Standards in reporting costs and income, before taking account of adjustments to arrive at the amount to be funded from taxation. A reconciliation between the Total Net Expenditure in Table 1 and the Amounts Reported for Resource Allocation in Note 4 (which both reflect how information is normally reported for management purposes) and the Cost of Services in the Comprehensive Income and Expenditure Statement is provided on page 55.
- 5.2 The net revenue position on the Comprehensive Income and Expenditure Statement is a net deficit of £17.111m, which compares with a surplus of £164.918m in 2010/11. The significant surplus in 2010/11 was mainly attributable to actuarial gains on pension assets/liabilities. The net deficit of £17.111m includes two exceptional items relating to pension costs as a result of staff transferring to academy schools and the closure of the former Capita contract. Without these items the net deficit would have been £24.099m.

- 5.3 The Comprehensive Income and Expenditure Statement includes a Surplus on Provision of Services of £21.412m. This is reflected in the Movement in Reserves Statement (Page 18) as the first item contributing to the General Fund Balance in 2011/12. This statement and the further detail provided in Note 10 show adjustments for statutory accounting items which do not impact upon Council Tax and for transfers to/from earmarked reserves, which reconcile the Comprehensive Income and Expenditure Statement with the reported underspend and net increase in the General Fund for the year of £0.889m.
- 5.4 A number of factors contributed to variations in gross expenditure and gross income for individual services for 2011/12 compared with the previous year, including budget reductions and a shift in government grants from specific to non specific grant support. A particular change to highlight is the transfer of 16 schools to academy status during the year, which resulted in a reduction in gross expenditure of £46.210m and gross income of £47.155m. This transfer of responsibility also resulted in a reduction of £53.010m in the net book value of land, buildings and equipment recorded on the Balance Sheet.

**6. CAPITAL EXPENDITURE 2011/12**

- 6.1 Capital expenditure relates to the cost of provision or enhancement of assets or other expenditure where the benefit extends beyond the financial year in which it occurs. It includes expenditure on buildings, adaptations, roads, equipment and intangible assets such as software and licences. Capital expenditure is defined by the Capital Financing Regulations and capital and revenue transactions must be accounted for separately.
- 6.2 In 2011/12, the Council's capital investment (including revenue expenditure funded from capital under statute) totalled £196.324m (£133.982m in 2010/11) (Note 22). This included PFI/PPP schemes reported in the accounts for the first time. Two PFI financed Fire Stations opened at Patterdale and Carlisle West, a new Waste recycling plant at Hespin Wood opened in this financial year and the Carlisle Northern Development Route scheme opened ahead of schedule in February 2012.
- 6.3 In 2011/12 significant investment into key developments in schools continued benefiting children in Cumbria. This included completion of an academy in Carlisle (Richard Rose Morton) and significant progress on academy developments in West Cumbria and Barrow in Furness. The Primary Capital Programme, which involves upgrading schools in the Barrow area, resulted in two school projects being completed and significant progress on the remaining school. Strategic projects which support Special Educational Needs were progressed throughout the year resulting in improvements to primary, secondary and sixth form educational provision.



- 6.4 Work started on the new Elderly Persons Home in Barrow and investment was made into fire service vehicles and equipment. Flood restoration works continued at the Port of Workington and flood recovery works on roads continued following the devastating floods Cumbria experienced in 2009/10. Five of the bridges damaged during the floods have reopened in 2011/12 including Iron Bridge in Sockbridge. Planned maintenance and improvements to the infrastructure network continued.
- 6.5 A summary of the capital expenditure and how it was financed is shown in Note 22. The Council considers carefully capital financing to ensure it is prudent, affordable and sustainable in the medium and long term. Capital receipts generated in 2011/12 totalled £5.232m (£2.478m in 2010/11) which was in excess of the target. Capital receipts are earmarked for specific schemes where appropriate.
- 6.6 The capital investment of £196.324m was financed by capital receipts of £0.223m, grants of £91.994m, expenditure charged to the General Fund of £8.977m and Prudential Borrowing of £8.093m. The balance relates to PFI/PPP lease arrangements, which enable the Council to finance the capital cost of the schemes over the life of the asset.

#### **Borrowing**

- 6.7 The Prudential Code for Capital Finance in Local Authorities regulates Local Authority borrowing and gives freedom to Councils to borrow, providing they are capable of meeting the revenue costs of borrowing and the borrowing strategy is in keeping with Prudential Indicators and guidelines. The Council's borrowing strategy and limit is agreed annually, at February Council meeting when the budget is set, and the strategy is part of the Treasury Management Strategy. The Council's authorised limit for external debt for 2011/12 was £508m (£540m in 2010/11) and the operational limit was £428m (£525m in 2010/11). In 2011/12 the Council operated within the agreed authorised limits.
- 6.8 The long term borrowing shown in the Balance Sheet (page 19) relates to the part financing of capital expenditure incurred in 2011/12, earlier years and for future years. The balance at 31<sup>st</sup> March 2012 is £315.974m, which has changed little (-£0.047m) from the balance at 31<sup>st</sup> March 2011 (£316.021m). It may be noted that the need to borrow for new capital expenditure has been reduced by the change in Government policy in 2011 to support capital expenditure by grant rather than revenue support for borrowing.

### **7 CHANGES IN ACCOUNTING STANDARDS AND POLICIES**

- 7.1 Major changes were made to the Council's accounting policies in 2010/11 to comply with International Financial Reporting Standards (IFRS). The changes required by the Code of Practice on Local Authority Accounting for 2011/12 are much less onerous by comparison.

**Componentisation**

- 7.2 One aspect of these changes was the introduction of componentisation for non current assets as required by International Accounting Standard (IAS) 16 Property, Plant and Equipment (PPE). The policy was applied from 1st April 2010 to assets that were acquired, enhanced and/or revalued during that financial year based on a de-minimis level of £5m net book value. This policy has been reviewed during 2011/12. The Council has chosen to reduce the de-minimis level for the cost of assets to be considered for componentisation to a £2.5m Net Book Value and a component to be regarded as significant for componentisation where its costs are greater than 20% of the cost of the asset.
- 7.3 This policy revision has been applied for assets acquired, enhanced and revalued in 2011/12. A review of the impact the revised policy would have had, if applied to the 2010/11 financial statements, has shown that the impact would have been immaterial to the accounts. A prior period adjustment has not been required.

**Heritage Assets**

- 7.4 The Code of Practice for 2011/12 introduces a new requirement to disclose information on heritage assets as a new category of assets on the Balance Sheet. Heritage assets are assets that are held by the Council because of their cultural, environmental or historical value. Heritage assets held by the Council include various collections within the overall archive collection, monuments, artefacts, paintings, sculptures and civic regalia. These have been recognised and measured in accordance with the authority's general accounting policies on property, plant and equipment, except where the Code allows relaxation of measurement rules for heritage assets where obtaining valuations of these would incur unjustifiable cost. Insurance values or historic cost have been used where available, but a few residual assets have not been recognised on the balance sheet, as permitted by the 2011/12 Code.
- 7.5 As a result the Council has recognised an additional £0.385m for heritage assets that were not previously shown in the Balance Sheet. In applying the new accounting policy two assets that were previously held as Community Assets within Property, Plant and Equipment at a nominal value of £1 each are now re-classified as heritage assets. Alfred Wainwright archives and Alston memorial documents were acquired for £0.136m during 2011/12 bringing the total valuation of heritage assets to £0.521m. The 1<sup>st</sup> April 2010 and 31st March 2011 Balance Sheets and 2010/11 Comparative figures have been re-stated to reflect the new policy (detailed in note 29 and 55).

**8. PENSION COSTS**

- 8.1 The Council is legally obliged to offer guaranteed pension benefits to its employees. The Accounting Policies (policy (vii)) explain the accounting treatment of retirement benefits and costs applicable to the Council solely are reflected in the Comprehensive Income and Expenditure Statement and the Balance Sheet. Under the International Accounting Standard (IAS) 19, the Council is required to recognise the cost of retirement benefits in the cost of services when earned by employees (shown in the Comprehensive Income and Expenditure Statement) rather than when the benefits are eventually paid as pensions. However, adjustments through the Movement in Reserves Statement ensure that the amount charged to taxpayers and the Council Tax relate to cash payable in the year i.e. the employer's contributions payable to the scheme.
- 8.2 In the Council's Balance Sheet (page 19), the Council's long-term net pension liability has increased by £56.194m from £457.340m at 31st March 2011 to £513.534m at 31st March 2012. The increase in the Pension Fund net deficit in 2011/12 is due to a change in the financial assumptions used in the actuarial valuations.
- 8.3 From 1st April 2011 the Council has changed the method by which it makes payments to the Pension Fund to cover past service liabilities, in line with the strategy to cover these liabilities over a period of 19 years. Previously, amounts have been set aside for this purpose through a supplement to the employer's pension contribution rate, within Directorate budgets. From 1st April 2011 the total amount recommended by the actuary each year is met by an annual lump sum corporate contribution to the Pension Fund. This is a more prudent approach during a period of workforce reduction. The contribution for 2011/12 was £7.587m (including a small addition over the £7.373m referred to in paragraph 7.3 as taken from Directorates budgets).

**9 PENSION FUND**

- 9.1 The Council is the administering body for the Cumbria Local Government Pension Scheme (LGPS), and the Firefighters' Pension Schemes, hence the Council's Statement of Accounts include supplementary financial statements for these pension funds. Section 7 sets out these financial statements and relevant notes.
- 9.2 During 2011/12, the Cumbria LGPS net assets increased by £66.491m to £1,466.418m. (This compares to an increase of £121.507m during the year 2010/11).
- 9.3 Cumbria LGPS ranked in the top quartile for scheme investment return in 2011/12 at 13th out of 100, with the Cumbria LGPS return of 5.3% for 2011/12 being significantly above the LGPS average scheme investment return of 2.6% (measured by the WM Company). This out performance is set in the context of volatility across world financial markets during the period.

- 9.4 This return, in the main, is attributed to the scheme's primary asset allocation between bonds (33%) and growth assets (equities, property, alternatives etc) (66%). The Cumbria LGPS has an asset allocation to bonds which is higher than the average for LGPS (Cumbria's 33%; the average LGPS 18%). This strategy has been a major contributing factor to the Scheme's increase in value during 2011/12.
- 9.5 Whilst the Cumbria LGPS return for 2011/12 was significantly above average, the Scheme's three-year return underperformed the fund benchmark by 0.3% (per year). Over the longer term of ten years the Scheme return was behind the benchmark showing a marginal underperformance of 0.1% per year. While disappointing in absolute terms, recent returns must be seen in the context of the prevailing market volatility throughout the period viewed in comparison to the Scheme's peers. Cumbria LGPS performance over the mid (5 years) to longer term (10 years) ranks within the top 50% of Local Government Schemes in the country. Furthermore, pension schemes are by their nature, long term investment vehicles and when considering fund performance the focus is on the longer term.

## **10 IMPACT OF CURRENT ECONOMIC CLIMATE ON AUTHORITY**

- 10.1 The Council continues to be affected by the reductions in Government funding for local government as part of the national economic strategy to reduce the national deficit. Earlier paragraphs have outlined the impact of funding reductions in 2011/12 and the Council's success in managing within budget. The Chancellor's Autumn Statement in November 2011 confirmed a reduction in economic growth forecasts and that the Government's primary target of deficit reduction by 2014/15 would no longer be achievable. As a consequence austerity measures are expected for a further two years to 2016/17.
- 10.2 The Council's budget for 2012/13 includes savings of £20.204m and current plans envisage a minimum requirement for further savings of £10.525m and £13.960m in 2013/14 and 2014/15 respectively. In addition to these saving targets, there is uncertainty in future planning as Government is making fundamental changes to the system of local government finance from 2013/14. These include the withdrawal of Formula Grant and its replacement by retention of Business Rates; the review of national funding distribution formulae; the localisation of Council Tax support accompanied by a minimum 10% reduction in grant funding to support council tax benefits; and the potential for referenda to be required for approval of Council Tax if Government reduce the threshold of increases permitted, using powers under the Localism Act. The Council is monitoring these developments so that it can respond appropriately.

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- 10.3 The economic downturn continues to affect investment returns achieved on Pension Fund investments, even though the Pension Fund's performance is relatively strong compared to other authorities, and on the Council's cash reserves. With low short term rates available the Council has utilised available cash balances to reduce longer term external borrowing, within prudential limits. This has reduced both short term costs and exposure to counter party risk.
- 10.4 The Council's Medium Term Financial Plan considers future Government funding risk and the uncertainties associated with projections of future pay, prices, interest rates, levels and timing of income, delivery of efficiency and change programmes and potential liabilities. These risks are provided for through the level of central contingency set in the annual budget and uncommitted revenue General Reserves. The 2011/12 outturn balance on the General Reserve of £15.756m is in line with target set in the 2012/13 budget.
- 10.5 The Accounting Statements show provisions of £7.815m (short and long term) which mainly relate to insurance and Single Status Commitments as set out in Note 42. This is a reduction from the provisions of £14.180m at 31<sup>st</sup> March 2011, which is mainly due to the 2010/11 provisions for redundancy payments of £6.665m being applied. A new scheme inviting voluntary redundancy was launched in May 2012 to support the efficiencies and savings required under the Better Places for Work Programme.

**11 OTHER ITEMS**

- 11.1 Assumptions made about the future in preparing the Statement of Accounts are set out in Note 3.
- 11.2 Prior period adjustments have been made in respect of Heritage assets as discussed in Paragraphs 7.4 and 7.5 above and to re-categorise from short term debtors to long term debtors £4.969m of debt as at 31<sup>st</sup> March 2011 which relates to residential care charges and is either secured by a charge on property or on a deferred payment agreement.
- 11.3 During 2011/12 Dowdales Secondary School in Dalton in Furness suffered a fire. Repairs totalling £0.190m have been carried out and were completed in April 2012. This asset has been valued this year as part of the valuation cycle. The value of £12.810m reflects the cost of the damage and has been treated as an impairment subsequently written out on valuation. The value of this asset will be reviewed again in 2012/13 upon completion of the repairs.
- 11.4 The Group Accounts set out in Section 6 show a reduction of £19.337m in the total value of the Group net assets (from £282.169m at 31<sup>st</sup> March 2011 to £262.832m at 31<sup>st</sup> March 2012). The reduction relates mainly to the Council.

- 11.5 The entities to be included within the group accounts have been considered during 2011/12 with a careful regard to their materiality. It has been determined not to include the following entities that were previously included as their impact is immaterial: Invest In Cumbria Ltd (net assets of £0.113m at 31<sup>st</sup> March 2012), Traveline Cumbria Ltd (net assets of £0.093m at 31<sup>st</sup> March 2012) and Cumbria Capital Fund, dissolved on 17<sup>th</sup> January 2012. Cumbria Waste Management Ltd (CWM Ltd) and its subsidiaries remain as group account entities and during 2011/12 CWM Ltd acquired two companies, Trotters Dry Waste Ltd and South Lakeland Trade Waste, which are also included.

**12. POST BALANCE SHEET EVENTS**

- 12.1 On the 12<sup>th</sup> April, 2012 the new West Lakes Academy building was handed over to the governors. The financial statements and disclosure notes have not been adjusted for this but it is noted as relevant to an understanding of the Authority's financial position. The West Lakes Academy building had a balance sheet value of £37.1m at 31<sup>st</sup> March 2012.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 2 – STATEMENT OF RESPONSIBILITIES**

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#### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (Acting Assistant Director – Finance).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

#### **Corporate Directors' Responsibilities**

- The Chief Executive and other Corporate Directors are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy, including effective ongoing budgetary control, with appropriate support and advice from the Acting Assistant Director - Finance.
- Each Corporate Director is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities.

#### **The Chief Finance Officer's Responsibilities**

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

In preparing this Statement of Accounts, the Acting Assistant Director – Finance has:

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

The Acting Assistant Director – Finance has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the 31<sup>st</sup> March 2012 and its expenditure and income for the year ended the 31<sup>st</sup> March 2012.

Signed :

Julie Crellin, Acting Assistant Director – Finance  
26<sup>th</sup> September 2012

**Certificate of Approval of the Council's Statement of Accounts**

I certify that the accounts set out in this document have been considered by the Council's Audit and Assurance Committee at its meeting held on 26th September 2012 and have been approved by a resolution of this Committee.

Signed on behalf of Cumbria County Council

Mrs. H. Carrick  
Chairman of Audit and Assurance Committee

Date – 26th September 2012



## CUMBRIA COUNTY COUNCIL

### SECTION 3 – ACCOUNTING STATEMENTS

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Section 3 sets out four accounting statements in respect of the Council's activities in 2011/12, showing the previous year's comparators.

***Comprehensive Income and Expenditure Statement*** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

***Movement in Reserves Statement*** which identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

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

**CUMBRIA COUNTY COUNCIL**  
**SECTION 3 – ACCOUNTING STATEMENTS**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012**

2010/11			Service	Note to the Accounts	2011/12		
Restated Gross Expenditure £000	Restated Gross Income £000	Restated Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			<b>Services:</b>				
2,918	(1,147)	1,771	Central Services to the Public		3,115	(1,347)	1,768
12,541	(972)	11,569	Cultural and Related Services	55	10,439	(952)	9,487
33,244	(2,729)	30,515	Environmental and Regulatory Services	55	33,650	(2,213)	31,437
20,616	(4,863)	15,753	Planning Services	55	16,180	(3,003)	13,177
49,359	(12,573)	36,786	Highways and Transport Services		52,438	(14,684)	37,754
0	0	0	Highways and Transport Services - Acquired Operations	55	8,319	(54)	8,265
566,175	(419,861)	146,314	Education and Childrens' Services		437,873	(336,016)	101,857
195,321	(46,482)	148,839	Adult Social Care		199,507	(46,294)	153,213
27,337	(737)	26,600	Fire & Rescue Services		22,271	(815)	21,456
6,652	(1,300)	5,352	Corporate and Democratic Core		10,226	(4,544)	5,682
1,138	0	1,138	Non Distributed Costs		5,698	0	5,698
(75,831)	0	(75,831)	Exceptional Items	6	0	0	0
0	0	0	Exceptional Items - IAS19 Settlements	6	5,871	(16,666)	(10,795)
0	0	0	Exceptional Items - IAS19 Business Combinations	6	68,348	(64,541)	3,807
839,470	(490,664)	348,806	<b>Cost of Services</b>	4	873,935	(491,129)	382,806
32,364	0	32,364	Other Operating Expenditure	7	56,909	0	56,909
50,285	(5,326)	44,959	Financing and Investment Income and Expenditure	8	41,887	(6,582)	35,305
0	(471,840)	(471,840)	Taxation and Non Specific Grant Income	9	0	(496,432)	(496,432)
		(45,711)	<b>(Surplus)/Deficit on Provision of Services</b>				(21,412)
		7,875	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	46.1			(10,655)
		0	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	46.5			(43)
		(127,082)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	48.1			49,221
		(119,207)	<b>Other Comprehensive Income and Expenditure</b>				38,523
		(164,918)	<b>Total Comprehensive Income and Expenditure</b>				17,111

The 2010/11 Comprehensive Income and Expenditure Statement has been restated to reflect the change in the Service Reporting Code of Practice which requires Cultural, Environmental and Planning Services to be reported separately and the re-classification of trading operations from Other Operating Expenditure to Financing and Investment Income and Expenditure. Further details are set out in note 55.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 3 – ACCOUNTING STATEMENTS**

**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012**

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
<b>Balance at 31st March 2010</b>	10,050	57,185	2,851	193	0	2,813	73,092	171,428	501,402	544	(631,973)	(588)	159	(9,128)	31,844	104,936
<b>Movement in Reserves during 2010/11</b>																
Surplus or (deficit) on the provision of services	45,711	0	0	0	0	0	45,711	0	0	0	0	0	0	0	0	45,711
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(7,875)	0	0	127,082	0	0	0	119,207	119,207
<b>Total Comprehensive Income and Expenditure</b>	<b>45,711</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,711</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,918</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	(31,872)	0	0	635	388	0	(30,849)	(6,466)	(7,227)	(410)	47,551	0	857	(3,866)	30,439	(410)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>13,839</b>	<b>0</b>	<b>0</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,862</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,508</b>
Transfers (to) Earmarked Reserves (Note 45)	(28,576)	28,576	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 45)	22,034	(22,034)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves (Note 45)	(2,480)	0	2,480	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2010/11</b>	<b>4,817</b>	<b>6,542</b>	<b>2,480</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,862</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,508</b>
<b>Balance at 31st March 2011</b>	<b>14,867</b>	<b>63,727</b>	<b>5,331</b>	<b>828</b>	<b>388</b>	<b>2,813</b>	<b>87,954</b>	<b>157,087</b>	<b>494,175</b>	<b>134</b>	<b>(457,340)</b>	<b>(588)</b>	<b>1,016</b>	<b>(12,994)</b>	<b>181,490</b>	<b>269,444</b>
<b>Movement in Reserves during 2011/12</b>																
Surplus or (deficit) on the provision of services	21,412	0	0	0	0	0	21,412	0	0	0	0	0	0	0	0	21,412
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	10,655	0	0	(49,221)	43	0	0	(38,523)	(38,523)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,412</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(17,111)</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	(137)	0	0	4,953	(388)	0	4,428	(20,919)	19,990	0	(6,973)	0	519	2,695	(4,688)	(260)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>21,275</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>25,840</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(17,371)</b>
Transfers (to) Earmarked Reserves (Note 45)	(39,172)	39,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 45)	19,959	(19,959)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves (Note 45)	10	0	(10)	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves (Note 44.2)	(1,183)	0	0	0	1,183	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2011/12</b>	<b>889</b>	<b>19,213</b>	<b>(10)</b>	<b>4,953</b>	<b>795</b>	<b>0</b>	<b>25,840</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(17,371)</b>
<b>Balance at 31st March 2012</b>	<b>15,756</b>	<b>82,940</b>	<b>5,321</b>	<b>5,781</b>	<b>1,183</b>	<b>2,813</b>	<b>113,794</b>	<b>146,823</b>	<b>514,165</b>	<b>134</b>	<b>(513,534)</b>	<b>(545)</b>	<b>1,535</b>	<b>(10,299)</b>	<b>138,279</b>	<b>252,073</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 3 – ACCOUNTING STATEMENTS**

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2012**

1st April 2010 Restated £000	31st March 2011 Restated £000		Notes to the Accounts	31st March 2012 £000
		<b>Long Term Assets:</b>		
		<b>Property, Plant and Equipment</b>		
720,444	675,629	Other Land and Buildings		667,657
21,116	21,831	Vehicles, Plant, Furniture and Equipment		17,620
255,930	292,495	Infrastructure		380,109
52	46	Community Assets		46
29,782	29,007	Assets Under Construction		35,244
10,266	10,313	Surplus Properties Not Held For Sale		10,921
1,037,590	1,029,321	<b>Total Property, Plant and Equipment</b>	27	1,111,597
385	385	Heritage Assets	29	521
1,232	1,232	Investment Properties	30	185
16,583	13,104	Intangible Assets	31	9,749
2,813	2,813	Long Term Investments	32	2,813
5,310	6,948	Long Term Debtors	33	8,011
1,063,913	1,053,803	<b>Total Long Term Assets</b>		1,132,876
		<b>Current Assets:</b>		
494	626	Current Assets Held for Sale	34	203
438	1,156	Inventories	35	1,461
76,362	65,789	Short Term Debtors and Prepayments	36	43,888
36,494	43,595	Short Term Investments	37	66,277
40,369	75,318	Cash and Cash Equivalents	39	61,291
154,157	186,484	<b>Total Current Assets</b>		173,120
		<b>Current Liabilities:</b>		
(4,780)	(14,867)	Short Term Borrowings	37	(4,691)
(83,713)	(89,809)	Short Term Creditors	40	(75,234)
(5,884)	(5,627)	Short Term Finance Lease Liability	37	0
(22,221)	(20,838)	Revenue Grants Receipts in Advance	41	(10,549)
(2,552)	(8,123)	Short Term Provisions	42	(1,424)
(10,548)	(7,583)	Bank Overdraft	39	(6,110)
(129,698)	(146,847)	<b>Total Current Liabilities</b>		(98,008)
		<b>Long Term Liabilities:</b>		
(296,064)	(316,021)	Long Term Borrowings	37	(315,974)
0	0	Long Term Creditors	37	(2,536)
(5,627)	0	Long Term Finance Lease Liability	37	0
0	0	Long Term PFI Liability	25	(81,309)
(44,247)	(44,578)	Capital Grants Receipts in Advance	43	(36,171)
(5,525)	(6,057)	Long Term Provisions	42	(6,391)
(631,973)	(457,340)	Pensions Liability	48	(513,534)
(983,436)	(823,996)	<b>Total Long Term Liabilities</b>		(955,915)
104,936	269,444	<b>Net Assets</b>		252,073
		<b>Usable Reserves</b>		
10,050	14,867	General Fund Balance	44	15,756
57,185	63,727	Earmarked Reserves	45	82,940
2,851	5,331	Earmarked Capital Reserve	45	5,321
193	828	Usable Capital Receipts Reserve	44.1	5,781
0	388	Capital Grants and Contributions Unapplied Reserve	44.2	1,183
2,813	2,813	Long Term Investment Reserve	44.3	2,813
73,092	87,954			113,794
		<b>Unusable Reserves</b>		
171,428	157,087	Revaluation Reserve	46.1	146,823
501,402	494,175	Capital Adjustment Account	46.2	514,165
544	134	Deferred Capital Receipts	46.3	134
(631,973)	(457,340)	Pensions Reserve	46.4	(513,534)
(588)	(588)	Financial Instruments Adjustment Account	46.5	(545)
159	1,016	Collection Fund Adjustment Account	46.6	1,535
(9,128)	(12,994)	Accumulated Absences Account	46.7	(10,299)
31,844	181,490			138,279
104,936	269,444	<b>Total Reserves</b>		252,073

The Balance Sheets for 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 have been restated to bring Heritage Assets on to the Balance Sheet and to reflect the reclassification of residential care debtors, which are either secured on property or are the subject of a deferred payment agreement, from short to long term debtors. There is further detail set out in note 55.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 3 – ACCOUNTING STATEMENTS**

---

**CASH FLOW STATEMENT AS AT 31<sup>st</sup> MARCH 2012**

2010/11 Restated £000		Notes	2011/12 £000
45,711	Net Surplus/(Deficit) on the Provision of Services		21,412
73,479	Adjustments to net surplus or (deficit) on the provision of services for non cash movements	49.1	110,012
(73,591)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	49.1	(84,227)
45,599	Net Cashflows from Operating Activities	49.1	47,197
(30,944)	Net Cashflows from Investing Activities	49.3	(37,878)
23,259	Net cashflows from Financing Activities	49.4	(21,873)
37,914	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		(12,554)
29,821	Cash and Cash Equivalents at the Beginning of the Reporting Period		67,735
67,735	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	49.5	55,181

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

---

Section 4 provides details of the significant accounting policies and estimation techniques used in the preparation of the Council's accounts.

#### *i. General Principles*

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its overall financial position as at 31st March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities 2011/12, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost i.e. expenditure is included on the basis of price actually paid rather than the additional allowance being made for changes in purchasing power of money, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### *ii. Accounting Concepts*

##### Accruals of Income and Expenditure

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

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

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

---

#### *ii. Accounting Concepts continued*

##### Accruals of Income and Expenditure continued

- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

##### Relevant

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.

##### Reliable

The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors

##### Comparable

A consistent approach to accounting policies is used in preparing the accounts to ensure that they may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed.

##### Understandable

The Council endeavours to ensure that an interested reader can understand the accounts.

##### Materiality

In using its professional judgment, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

##### Going Concern

The accounts are prepared on a going concern basis which assumes that the Council will continue in existence for the foreseeable future and that there is no intention to significantly reduce operations.

##### Primacy of Legislative Requirements

The Council operates through the power of statute. Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *iii. Changes in Accounting Policies and Estimates and Errors*

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Assistant Director - Finance. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Assistant Director - Finance will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

#### *iv. Charges to Revenue for Non-Current Assets*

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

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

The Council is not required to raise council tax to cover depreciation, impairment and revaluation losses or amortisations. However, it is required to make an annual contribution from fund balances towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

For assets financed by supported borrowing the Council still uses the 4% reducing balance previously required under statute.



## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *v. Overheads and Support Services*

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). Costs are apportioned on the basis of time spent, space occupied or facilities used.

The following two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services:

Corporate and Democratic Core - Costs relating to the Council's status as a multi-functional, democratic organisation e.g. the direct cost and cost of supporting Council Members and Corporate Management.

Non Distributed Costs - The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non operational properties.

#### *vi. Principal and Agent Transactions*

The Council's financial statements have regard to the general principle of whether the Council is acting as the Principal or Agent.

Where the Council acts as a Principal, i.e. it is acting on its own behalf, transactions are included in the Council's financial statements.

Where the Council acts as an Agent i.e. it is acting as an intermediary, transactions are not reflected in the Council financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position being included in financing activities in the cash flow statement.

#### *vii. Employee Benefits*

##### Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense in services in the year. An accrual is made for the cost of holiday entitlements not taken before the year-end and which employees can carry forward into the next financial year.

The accrual is charged to services in the Comprehensive Income and Expenditure Statement. It is then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the absence occurs.

*vii. Employee Benefits continued*

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of employees of the Council are members of one of four separate pension schemes designed to meet the needs of employees in particular services (further details are provided in the Notes to the Accounts). All four schemes (there are two firefighters' schemes) provide final salary defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

*a) Teachers' Pensions*

This scheme is administered by Teachers' Pensions. Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions. The Council contributes at rates determined by the Department for Education. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

*b) Firefighters' Pensions*

There are currently two pension schemes for uniformed firefighters.

- The 1992 Scheme which has now been closed to new entrants.
- The 2006 Scheme available to both full time and part time uniformed personnel.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *vii. Employee Benefits continued*

##### Post Employment Benefits continued

#### *b) Firefighters' Pensions continued*

Both Firefighters' schemes are accounted for as defined benefits schemes. Although contributions are made into the schemes and they are both based on final salary, they are unfunded to the extent that assets are not specifically held to meet pension liabilities. The Department for Communities and Local Government provide funds to top-up contributions collected from employers and employees to ensure that normal pension liabilities can be paid. The Council is responsible for meeting the cost of additional injury and ill health awards and pensions. The liabilities of the schemes are included in the Council's Balance Sheet.

#### *c) The Local Government Pension Scheme*

All other full-time and most part-time employees of the Council are eligible to join the Local Government Pension Scheme administered by Cumbria County Council on behalf of the local authorities of Cumbria and other admitted bodies. With effect from 1<sup>st</sup> April 2009 local authorities have been required to implement International Accounting Standard 19 (IAS19) in full. The accounts have, therefore, been prepared in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Accounting for Retirement Benefits.

The Local Government Scheme is accounted for as a defined benefits scheme. The assets and liabilities are included net in the Balance Sheet:

1. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
2. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Equities
  - Government and Other Bonds
  - Property
  - Cash and Other

#### *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 (including teachers) 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, for example the liability for future pensions is recognised on the Balance Sheet.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *viii. Exceptional Items*

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

#### *ix. Government Grants and Contributions*

##### Capital Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the condition will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance Sheet as Grant Receipts in Advance (in Liabilities).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 4 – ACCOUNTING POLICIES**

---

*ix. Government Grants and Contributions continued*

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the condition will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance Sheet as Revenue Grant Receipts in Advance (in Liabilities).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement and the grant has yet to be used to finance revenue expenditure, and there are restrictions as to how the monies are to be applied, an earmarked reserve will be established and the monies transferred into the earmarked reserve through the Movement in Reserves Statement. When the grant is applied, an amount equal to the expenditure may then be transferred back from the earmarked reserve to the General Fund.

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

*x. Leases*

The Council's general approach is to optimise the balance between the use of operating leases, finance leases, and prudential borrowing for the acquisition of property, vehicles and equipment to ensure the most economic approach for the Council. The Council will assess whether it is appropriate to borrow money to purchase an asset, or alternatively enter into a lease agreement.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

*Buildings*

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and accounted for as a Council asset.

Where a lease agreement is for between 100 years and 749 years the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Where a lease agreement is for 25 years or less the lease will automatically be treated as an operating lease and accounted for appropriately.

*Land*

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and accounted for as a Council asset.

All other leases will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *x. Leases continued*

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### *Operating Leases*

Rentals paid in the year under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

#### The Council as Lessor

##### *Buildings*

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and not included as a Council asset.

Where a lease agreement is for between 100 years and 749 years the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *x. Leases continued*

##### The Council as Lessor continued

Where a lease agreement is for 25 years or less the lease will automatically be treated as an operating lease and accounted for appropriately.

#### *Land*

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and not included as a Council asset.

All other leases will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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



## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *x. Leases continued*

##### The Council as Lessor continued

##### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are charged as an expense as they occur.

#### *xi. Private Finance Initiative (PFI) and Similar Contracts*

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – are either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or if required a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition then it is treated as revenue.

*xii. Property, Plant and Equipment*

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

Recognition

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

Expenditure that adds to an asset's potential to deliver future economic benefits or service potential but costs less than £12,000 in total (deemed to be de minimis) can be charged direct to service revenue accounts as it is incurred. The exception to this is schools expenditure on items of equipment which are above £2,000 in value but less than £12,000 – which nevertheless meets the Department for Education condition for funding from capital grants to schools. These items are accordingly classed as capital expenditure but rather than being treated as PPE they are treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS) which is detailed on page 38.

Componentisation

IAS 16 – Property, Plant and Equipment (PPE) states that each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately. This is applicable to both enhancements and acquisition expenditure incurred and revaluations carried out from 1<sup>st</sup> April 2010. It is not retrospective. This includes specific infrastructure assets.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. Significant components will be separately accounted for where there are different useful lives and / or depreciation methods.

Individual PPE assets with a Net Book Value of less than and including £2.5m will be classed as de minimis and be excluded from the requirement to be componentised.

Where a component of an asset is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 4 – ACCOUNTING POLICIES**

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*xii. Property, Plant and Equipment continued*  
Measurement

Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued at intervals of not greater than five years via a rolling programme of asset revaluations to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

---

#### *xii. Property, Plant and Equipment continued*

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

#### Impairment

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

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

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

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

#### Revaluation losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment as detailed above), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

#### Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Within the County Council accounts these assets will only be reclassified at 31st March of the financial year. The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

---

#### *xii. Property, Plant and Equipment continued*

##### Disposals and non-current assets held for sale continued

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

#### Depreciation

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

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xii. Property, Plant and Equipment continued*

##### Depreciation continued

Depreciation is charged on a straight line basis based upon asset values at the beginning of the year of account. The Council uses the following assumptions in assessing the useful life of assets:

Operational Buildings	30 - 60 years
Waste Disposal Sites	30 years
Infrastructure assets	40 years*
Vehicles, Plant, Furniture & Equipment	5 – 15 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life

\*Because of the diverse nature of infrastructure assets individual asset lives have been assigned as appropriate.

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

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

##### Non Current Assets not owned by the Council

Some community schools are not owned by the Council. These schools are, however, included within non current assets as the Council receives the benefit from the use of these properties and substantially bears the risks and responsibilities of ownership for them.

Voluntary Aided schools and Foundation schools are not included within non current assets as no substantial risks and responsibilities apply.

Where the Council undertakes the re-building of a school on behalf of an Academy as part of the former Building Schools for the Future Programme the assets are included on the Council's Balance Sheet during the construction phase as assets under construction. They are treated as a disposal when the school is complete and transferred to the Academy. The assets are not reclassified as assets held for sale.

*xiii. Revenue Expenditure Funded from Capital under Statute (REFCUS)*

Revenue expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax. REFCUS includes, for example, capital expenditure on assets not owned by the Council, such as voluntary aided and foundation schools.

*xiv. Heritage Assets*

Heritage assets are assets that are held by the Council because of their cultural, environmental or historical value. Tangible heritage assets include historical buildings, paintings, sculptures, archives and other works of art. Intangible heritage assets include sound and film recordings. The heritage assets held by the Council include various collections within the Council's archive collection, monuments, artefacts, paintings, sculptures and civic regalia.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets, in particular, where authorities are unable to obtain valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where any heritage assets are disposed of the proceeds will be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. The Council deems heritage assets to have an indeterminate life and therefore depreciation is not charged.

*xv. Investment Properties*

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

**CUMBRIA COUNTY COUNCIL**  
**SECTION 4 – ACCOUNTING POLICIES**

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*xv. Investment Properties continued*

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

*xvi. Intangible Assets*

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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



## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xvii. Inventories*

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost formula.

Work in progress is included at cost including an allocation in respect of the overheads reasonably attributable to the works.

#### ***Financial Instruments***

##### *xviii. Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

##### Borrowing

The Council's borrowing is presented in the Balance Sheet as the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Borrowing is classed as either a long term liability, repayable after 12 months or longer, or a current liability if it is repayable within 12 months.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the period in which the repurchase or settlement is made. Through the Movement in Reserves Statement this will then be adjusted to neutralise the effect on the amounts to be raised through council tax in the year, by charging or crediting the Financial Instruments Adjustment Account. This reserve will in turn be written off over the remaining life of the new loan through the Movement in Reserves Statement as permitted by statute.

##### Creditors

Creditors are recognised when a supplier has provided goods and services to the Council for an agreed price. The value of the creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council as at 31st March as a proxy for amortised cost.

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

***Financial Instruments continued***

*xix. Financial Assets*

Loans and Receivables

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

Where the Council has made a loan to a third party at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

***Financial Instruments continued***

*xix. Financial Assets continued*

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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
- other instruments with fixed and                      - discounted cash-  
determinable payments                                      flow analysis

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the 'surplus or deficit on revaluation of available for sale financial assets' within the Other Comprehensive Income and Expenditure part of the Comprehensive Income and Expenditure Statement. Impairment losses are debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Statement of Recognised Gains and Losses under UK GAAP accounting. In future such gains / losses will be recognised in the other comprehensive income and expenditure part of the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably (such as the investment in Cumbria Waste Management Ltd) the instrument is carried at cost (less any impairment losses).

***Financial Instruments continued***

*xix. Financial Assets continued*

Gains and Losses on Debt Restructuring

The Council does not currently hold any balances in relation to gains and losses arising from debt restructuring. Should any gains and losses associated with discounts and premiums on the repurchase or early settlement of borrowing arise then they will normally be recognised in Cost of Services within the Comprehensive Income and Expenditure Statement in the period in which the repurchase or settlement is made. Through the Movement in Reserves Statement this will then be adjusted to neutralise the effect on the amounts to be raised through council tax in the year, by charging or crediting the Financial Instruments Adjustment Account. This reserve will in turn be written off over the remaining life of the new loan through the Movement in Reserves Statement as permitted by statute.

*xx. Cash and Cash Equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents will only be money market fund deposits, as fixed maturity deposits have penalties built in for early redemption.

*xxi. Provisions*

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xxi. Provisions continued*

The Council opened a voluntary redundancy scheme in December 2010. A provision was made in 2010/11 for the redundancy costs for those staff where a decision was taken prior to the year end to allow them to leave under the voluntary redundancy scheme.

The Council has made a provision for the costs of settling potential compensation claims incurred under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value.

#### *xxii. Reserves*

In addition to its General Balances the Council sets aside specific amounts as reserves for future policy purposes, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. The Council continually reviews these reserves to ensure that they remain appropriate and aligned to the Council's priorities.

The Council's main reserves are as follows:

- The General Fund is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.
- Under the Government's Fair Funding arrangements individual schools manage their own budgets and are allowed to carry forward accumulated surpluses and deficits as reserves.
- Earmarked reserves are set aside to meet specific items of future expenditure.

Reserves are created by appropriating amounts from the General Fund Balance to specific reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue service in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained to manage the accounting processes for non current assets and retirement benefits and do not represent usable resources for the council – these reserves are explained within the relevant accounting policies in this statement.

Further detail in respect of the Council's reserves is set out in the Notes to the Accounts.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xxiii. Interests in Companies and Other Entities*

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

The Council has majority and minority interests in a number of companies. Of the Council's investments in related companies, only the initial investment in Cumbria Waste Management Ltd is material and shown in the Council's Balance Sheet at cost. Contributions to other companies have been charged as expenditure in the year in which they were made. Any profit or loss on realisation is only taken into account at the time of realisation.

Within the Group Accounts, separate accounting policies have been applied in accordance with CIPFA recommendations and are shown in this section of the Statement of Accounts.

#### *xxiv. Jointly Controlled Operations and Jointly Controlled Assets*

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

#### *xxv. Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xxvi. Contingent Assets*

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### *xvii. Events After the Reporting Period*

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### *xxviii. Taxation*

The Council is exempt from income and corporation taxes under Section 519 of the Income and Corporation Taxes Act (1988) and from capital gains tax under Section 217 of the Taxation of Capital Gains Act (1992).

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the Council is not able to recover VAT on expenditure.

The Council incurs landfill tax, which is charged on a tonnage basis to the Council by its waste disposal contractors. Reduction in the exposure to this tax is dependent on public take-up of the waste reduction and recycling initiatives promoted in conjunction with the District Councils, the bodies that are responsible for waste collection.

In addition, the Council incurs stamp duty land tax on the acquisition of property freeholds and leaseholds, climate change levy on its energy bills and insurance premium tax on its insurance costs. Also, the Council incurs employer's national insurance contributions based on a percentage of staff salaries.

## **CUMBRIA COUNTY COUNCIL**

### **SECTION 4 – ACCOUNTING POLICIES**

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#### *xxviii. Taxation continued*

There are a number of initiatives that enable the Council to reduce its exposure to tax, and it takes advantage of these as and when these arise. Where the Council incurs tax, this cost is charged to services in the Comprehensive Income and Expenditure Account using SeRCOP rules.

#### *xxix. Landfill Allowance Trading Scheme*

The Landfill Allowance Trading Scheme began on 1st April 2005. The scheme allocates landfill allowance to each waste disposal Council in England. The Council can either, buy, sell or carry forward landfill allowance depending on usage requirements above or below the annual capped allowance limit from or to another waste disposal Council. Allowances allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Council are classified as current assets.

#### *xxx. Pooled Funds*

Both Adult Social Care and Children's Services work with authorities outside the Council to ensure that a co-ordinated approach to service delivery is achieved. Operating surpluses or deficits are shared in accordance with the agreements between the parties.

- Where the Council acts as host to the Pooled Fund, it consolidates the results of the fund in accordance with IAS 28 Investments in Associates or IAS 31 Interests in Joint Ventures. The share of any operating surplus or deficit relating to other authorities is then eliminated.
- Where the Council does not act as host to the Pooled Fund the financial statements include the Council's share of any operating surplus or deficit accordingly.

#### *xxxi. Carbon Reduction Commitment Energy Efficiency Scheme*

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.



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**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**1. Accounting Standards that have been issued but have not yet been Adopted**

The Code of Practice on Local Authority Accounting in the UK 2012/13 has adopted an amendment to IFRS7 – Financial Instruments: Disclosures (transfers of financial assets), which will need to be adopted fully by the Council in the 2012/13 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that had been issued, but not yet required to be adopted by the Council, in this case, financial instruments disclosure.

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure. The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1st July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1st April 2012. Following a review of the Authority's financial assets and liabilities at 31st March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

**2. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement is required for the accounts, in many cases the approach has been to document the accounting guidance and focus the judgements made by the relevant officers.

Private Finance Initiatives (PFI) and Public Private Partnership (PPP) Arrangements

The Council is deemed to control the services provided under the three PFI/PPP type agreements in relation to the Carlisle Northern Development Route (CNDR), the replacement of five fire stations and the Waste PPP arrangement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as Property, Plant and Equipment on the balance sheet when they are brought into use.

## **2. Critical Judgements in Applying Accounting Policies continued**

### Leases

The Council has to decide whether the leases it enters into should be treated as operating or finance leases, and whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the Council's valuers, accountants and procuring officers using flowchart assessments in the Contract Procedure Rules based on criteria set out in IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The relevant accounting policy is applied based on the outcome of the assessment.

### Land and Buildings

The Council has to decide whether land and buildings owned by the Council are investment properties. The Council's valuers and accountants make judgements in accordance with IAS 40 Investment Property. It has been determined that the Council has one investment property from which £0.021m income was generated in 2011/12 (four properties £0.025m 2010/11).

The Strategic Investment & Property Unit are required to exercise judgement in determining the carrying value of land, and buildings on the Council's Balance Sheet.

The Council owns a large and diverse range of property assets. During 2009/10 the Council impaired its general property base due to the national property market slump. Throughout 2011/12 the valuers have assessed that although the local market is stagnant there has been no further general impairment.

Judgement is required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council quantity surveyors, valuers and accountants worked together to determine this. It has been judged that the useful lives of the Council's properties as they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes.

### Group Accounts

The Council has to decide whether there is a group relationship between the Council and other entities. Finance staff assess each relationship that exists between the Council and other entities that may result in a group accounts relationship using a flowchart of decisions based on CIPFA group accounting guidance. It has been determined that there is one material group relationship that requires the production of group accounts.

### Provisions and Contingent Liabilities

The Council has to decide whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. These decisions are taken by a combination of the Council's finance staff, solicitors and departmental officers based on their detailed knowledge of the circumstances.

## **2. Critical Judgements in Applying Accounting Policies continued**

### Investments

The Council has an investment valued at £2.813m, representing a 100% shareholding in Cumbria Waste Management Limited, a private limited company. It has been determined that the Council does have control of the company and it is accounted for as a subsidiary of the Council. As the fair value of the shares cannot be determined and it does not have a quoted market price in an active market, the investment is carried at cost as a proxy for fair value. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data.

### Grants Receivable

Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this happens. Equally, where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the expenditure is incurred.

### Schools

The Council has, for a number of years, excluded the non current assets for Voluntary Aided (VA), Foundation, and Foundation Special schools from the Council's Balance Sheet. Community and Voluntary Controlled (VC) schools have been included within the Council's Balance sheet at appropriate values.

There has been an on going debate about the correct accounting treatment for the various types of schools in Local Authority Balance Sheets. CIPFA, as part of its 2011/12 Update to the Code of Practice on Local Authority Accounting in the UK, consulted on proposals for the accounting treatment in relation to non-current schools' assets.

CIPFA initially suggested in its consultation document that only Community schools' and Community Special schools' land and buildings in England and Wales should be recognised as non-current assets on Councils' Balance Sheets. They suggested that VC, VA and Foundation schools and Foundation Special schools land and buildings should not be recognised as non current assets of the Local Authority.

CIPFA, having considered the consultation responses, subsequently agreed to set up a review group to develop guidance in the future that will enable Local Authorities to account for schools consistently and in accordance with accounting standards.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**2. Critical Judgements in Applying Accounting Policies continued**

Schools continued

For 2011/12 this leaves a gap in the available guidance. The Council has reviewed its approach and concluded that it is still correct accounting treatment to exclude the non current assets for VA, Foundation, and/or Foundation Special schools from the Council's Balance Sheet on the basis that the Council bears no substantial risks or responsibilities.

For VC schools it is acknowledged that some are not owned by the Council, but the Council does receive the benefit from the use of the schools and has a substantial obligation to rebuild or replace the school in the event of a disaster. The Council therefore bears the majority of the risks and responsibilities of ownership.

The definition of an asset is "a resource controlled by the authority as a result of past events and from which future economic benefits or service potential are expected to flow to the authority". For Community and VC schools the Council is able to control the admissions policy and direct the occupation and the use of premises as the Council sees fit. As such the Council has degree of control over the flow of service potential.

**3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational buildings would increase by £0.2m for every year that useful lives had to be reduced.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty continued**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	<p>The Council made a provision of £4.677m in 2009/10 for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.</p> <p>The insurance provision represents the sum estimated to meet claims identified and also claims incurred. The estimate is based on the advice of consulting actuaries – Marsh Risk Consulting. The provision is estimated at £4.571m at 31st March 2012.</p>	<p>An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £3m to the provision needed.</p> <p>If the estimate of the insurance provision was underestimated by 10% then the charge to the accounts would increase by £0.457m.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, for the LGPS a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.449m and a 1 year increase in life expectancy would increase liabilities by £22.630m. For the Fire Pension Schemes a 0.1% increase in the discount rate assumption would result in a decrease in the pensions liability of £2.783m and a 1 year increase in life expectancy would result in an increase of £2.805m in the liabilities.</p>
Arrears	<p>At 31st March 2012, the Council had a balance of sundry debtors for £10.986m. The Council has a policy of making an allowance for doubtful debts or linked to the age of the debt and also the type of debt. The current allowance totals £1.380m. However, in the current economic climate it is not certain that such an allowance is sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £1.380m to set aside as an allowance.</p>

**4. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates, which are prepared on a different basis from the accounting policies used in the financial statements.

The net revenue position at 31<sup>st</sup> March 2012 is summarised in the Explanatory Foreword (Table 1) and this shows net expenditure of £344.454m (£388.194m in 2010/11). This is expanded in the segmental analysis over the page showing the subjective analysis (the main categories of income and expenditure) by Directorate.

The main changes between the years in the directorate subjective analysis are:

- The transfer of responsibility for school transport from Childrens Services to Environment (£16.617m).
- Accounting adjustments for depreciation on IT assets in Organisational Development (£4.900m).
- Transfer of grant from Children's Services to Resources (£2.700m)
- Provision for past service pension costs being made centrally rather than charged as part of the employers pensions contribution rate across Directorates (£7.587m).
- Previous service specific grants becoming general grants in 2011/12.
- Adjustments were made for the transfer of 16 schools to Academy status during the year resulting in a reduction in gross expenditure of £46.210m and gross income of £47.155m.
- Local Committees were allocated the £6.230m grant received in respect of highways winter damages.



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**4. Amounts Reported for Resource Allocation Decisions continued**

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

**2011/12 Segmental Reporting**

Directorate income and expenditure 2011/12	Children Services £000	Adults and Local Services £000	Environment (Incl Acc Body) £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(19,593)	(47,417)	(9,275)	(235)	(67)	(581)	(1,283)	(2,549)	(1,031)	(82,029)
Other income	(5,252)	(12,048)	(3,001)	(2,371)	(85)	(163)	(18)	(452)	(285)	(23,675)
Internal income	(7,469)	(361)	(75)	0	0	(898)	(19)	(10,052)	(284)	(19,158)
Interest & Investment Income	(72)	0	(42)	0	0	0	0	(66)	(4,330)	(4,510)
Service Specific Grant income	(297,129)	(1,293)	(2,806)	(560)	(6,230)	(130)	(546)	(2,960)	(651)	(312,305)
General Grants	0	0	0	0	0	0	0	0	(53,555)	(53,555)
<b>Total Income</b>	<b>(329,515)</b>	<b>(61,119)</b>	<b>(15,200)</b>	<b>(3,167)</b>	<b>(6,381)</b>	<b>(1,772)</b>	<b>(1,865)</b>	<b>(16,078)</b>	<b>(60,136)</b>	<b>(495,233)</b>
Employee costs	263,549	63,079	11,756	19,675	58	3,816	4,229	16,477	9,825	392,464
Running expenses	133,337	146,704	98,867	8,072	21,387	1,751	18,463	13,575	5,066	447,223
<b>Total Expenditure</b>	<b>396,886</b>	<b>209,784</b>	<b>110,623</b>	<b>27,747</b>	<b>21,445</b>	<b>5,567</b>	<b>22,693</b>	<b>30,052</b>	<b>14,890</b>	<b>839,687</b>
<b>Net Expenditure</b>	<b>67,372</b>	<b>148,665</b>	<b>95,423</b>	<b>24,580</b>	<b>15,064</b>	<b>3,795</b>	<b>20,827</b>	<b>13,974</b>	<b>(45,246)</b>	<b>344,454</b>

**Reconciliation of directorate income to costs of services in CI&ES**

	2011/12	
	£000	£000
Net expenditure in directorate analysis		344,454
<i>Amounts in CI&amp;E not reported to management</i>		
<i>Service and Support Services not in analysis</i>		
Trading accounts Premises-included in resources reversed out	738	
Trading accounts POW -included in Environment reversed out	(3,554)	(2,816)
<i>Amounts not reported to management for decision making</i>		
IAS19 Adjustment	(13,040)	
Employee benefit accrual	(2,695)	(15,735)
Capital charges	31,268	
Revaluation losses	22,746	54,014
Investment property income and expenditure from CoS to Financing & Investment Income	21	
Other	(7)	
REFCUS Expenditure	13,794	14
REFCUS grants	(13,794)	
Other Operating Expenditure included above	(754)	
General Grants included above	53,555	
MRP included above moved to MIRS	(15,916)	
Embedded lease principal (MRP)	(5,627)	
PFI Principal (MRP)	(5,726)	
Interest paid included in CoS transferred to Financing & Investment Income	(14,328)	
Embedded lease interest moved from CoS to Financing & Investment Income	(796)	
PFI Interest paid included in CoS to Financing & Investment Income	(1,863)	
Interest received included in CoS transferred to Financing & Investment Income	4,490	
RCCO included above moved to MIRS	(10,160)	
		2,875
<b>Cost of Services in Comprehensive I&amp;E Statement</b>		<b>382,806</b>

**CUMBRIA COUNTY COUNCIL**  
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**4. Amounts Reported for Resource Allocation Decisions continued**  
**2010/11 Segmental Reporting**

	Children Services	Adults and Local Services	Environment (Incl Acc Body)	Safer and Stronger Communities	Local Committees	Chief Executives	Organisational Development	Resources	Other Corporate and Miscellaneous	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Directorate income and expenditure 2010/11										
Fees and charges	(28,066)	(47,300)	(10,730)	(388)	(55)	(764)	(2,079)	(2,446)	(1,162)	(92,990)
Other income	(4,811)	(27,251)	(2,170)	(2,137)	(63)	(225)	(659)	(482)	(276)	(38,074)
Internal income	(9,842)	(788)	(369)	0	0	(1,251)	(8,096)	(10,454)	0	(30,800)
Interest & Investment Income	(98)	0	(180)	0	0	0	0	(45)	(1,726)	(2,049)
Service Specific Grant income	(367,998)	(2,749)	(15,779)	(226)	0	(244)	(909)	(371)	(16)	(388,292)
<b>Total Income</b>	<b>(410,815)</b>	<b>(78,088)</b>	<b>(29,228)</b>	<b>(2,751)</b>	<b>(118)</b>	<b>(2,484)</b>	<b>(11,743)</b>	<b>(13,798)</b>	<b>(3,180)</b>	<b>(552,205)</b>
Employee costs	322,171	73,919	10,930	21,578	59	5,025	4,810	15,642	3,215	457,349
Running expenses	177,050	148,176	76,217	7,179	23,696	2,285	20,987	12,082	15,378	483,050
<b>Total Expenditure</b>	<b>499,221</b>	<b>222,095</b>	<b>87,147</b>	<b>28,757</b>	<b>23,755</b>	<b>7,310</b>	<b>25,797</b>	<b>27,724</b>	<b>18,593</b>	<b>940,399</b>
<b>Net Expenditure</b>	<b>88,406</b>	<b>144,007</b>	<b>57,919</b>	<b>26,006</b>	<b>23,637</b>	<b>4,826</b>	<b>14,054</b>	<b>13,926</b>	<b>15,413</b>	<b>388,194</b>

Reconciliation of directorate income to costs of services in CI&ES	
	2010/11
	£000
Net expenditure in directorate analysis	388,194
<i>Amounts in CI&amp;E not reported to management</i>	
<i>Service and Support Services not in analysis</i>	
Trading accounts Premises-included in resources reversed out	537
Trading accounts POW -included in Environment reversed out	(852)
	(315)
<i>Amounts not reported to management for decision making</i>	
IAS19 Adjustment	(4,660)
NDC IAS19 adjustment included in I&E not directorate analysis	(74,693)
Employee benefit accrual	3,865
	(75,488)
Capital charges	76,957
Revaluation losses corrections	(134)
	76,823
Additional Income - Childrens Services	(1,012)
Investment property income and expenditure from CoS to Financing & Investment Income	25
Other	3
	(984)
REFCUS Expenditure	27,388
REFCUS grants	(22,999)
Other Operating Expenditure included above	(816)
Financing & Investment Income and Expenditure included above	(12,171)
MRP included above moved to MIRS	(15,133)
Embedded lease principal moved from CoS to Balance Sheet	(5,883)
Embedded lease interest moved from CoS to Financing & Investment Income	(540)
Interest paid included in CoS transferred to Financing & Investment Income	(156)
RCCO included above moved to MIRS	(9,114)
	(39,424)
<b>Cost of Services in Comprehensive I&amp;E Statement</b>	<b>348,806</b>

**CUMBRIA COUNTY COUNCIL**  
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**4. Amounts Reported for Resource Allocation Decisions continued**  
*Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement*

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

The budget reports and Directorate analysis are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

<b>2010/11 £000</b>	<b>Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>2011/12 £000</b>
388,194	Net expenditure in the Directorate analysis	344,454
(315)	Net expenditure of services and support services not included in the analysis	(2,816)
(39,073)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	41,168
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
<b>348,806</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>382,806</b>

There has been a significant change (£80.241m) between years in the "Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis" shown in the table above. This arises from the following:

- In 2010/11 there was an exceptional item of £75.831m relating to pension IAS 19 adjustments, in 2011/12 this was £6.988m. Further details are in note 6.
- A reduction of £13.594m in capital expenditure classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS).
- A £24.105m reduction in revaluation losses from £46.851m in 2010/11 to £22.746m in 2011/12.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**4. Amounts Reported for Resource Allocation Decisions continued**

*Reconciliation to subjective analysis*

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

**2011/12 Subjective Analysis**

Subjective Analysis 2011/12	Directorate analysis £000	Service and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
<b>Reconciliation to subjective analysis</b>								
Fees, charges and other service income	(129,372)	0	14	0	0	(129,358)	0	(129,358)
Interest and investment income	0	0	0	0	0	0	(4,511)	(4,511)
Income from council tax	0	0	0	0	0	0	(206,535)	(206,535)
Government grants and contributions	(365,860)	0	0	0	0	(365,860)	(289,897)	(655,757)
<b>Total Income</b>	<b>(495,233)</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>(495,219)</b>	<b>(500,943)</b>	<b>(996,162)</b>
Employee expenses	392,464	(2,816)	(15,735)	0	0	373,913	2,816	376,729
Other service expenses	447,223	0	2,875	0	0	450,098	0	450,098
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	54,014	0	0	54,014	0	54,014
Interest payments	0	0	0	0	0	0	37,000	37,000
Precepts and levies	0	0	0	0	0	0	754	754
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	56,155	56,155
<b>Total Expenditure</b>	<b>839,687</b>	<b>(2,816)</b>	<b>41,154</b>	<b>0</b>	<b>0</b>	<b>878,025</b>	<b>96,725</b>	<b>974,749</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>344,454</b>	<b>(2,816)</b>	<b>41,168</b>	<b>0</b>	<b>0</b>	<b>382,806</b>	<b>(404,218)</b>	<b>(21,412)</b>
<b>(Surplus) or deficit on the provision of services from CI&amp;ES</b>						<b>382,806</b>	<b>(404,218)</b>	<b>(21,412)</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**4. Amounts Reported for Resource Allocation Decisions continued**  
**2010/11 Subjective Analysis**

Subjective Analysis 2010/11	Directorate analysis £000	Service and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
<b>Reconciliation to subjective analysis</b>								
Fees, charges and other service income	(161,864)	0	(984)	0	0	(162,848)	0	(162,848)
Interest and investment income	(2,049)	0	0	0	0	(2,049)	(1,891)	(3,940)
Income from council tax	0	0	0	0	0	0	(205,816)	(205,816)
Government grants and contributions	(388,292)	0	0	0	0	(388,292)	(266,051)	(654,343)
<b>Total Income</b>	<b>(552,205)</b>	<b>0</b>	<b>(984)</b>	<b>0</b>	<b>0</b>	<b>(553,189)</b>	<b>(473,758)</b>	<b>(1,026,947)</b>
Employee expenses	457,349	(315)	(75,488)	0	0	381,546	315	381,861
Other service expenses	483,050	0	(39,424)	0	0	443,626	2	443,628
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	76,823	0	0	76,823	0	76,823
Interest payments	0	0	0	0	0	0	46,560	46,560
Precepts and levies	0	0	0	0	0	0	816	816
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	31,548	31,548
<b>Total Expenditure</b>	<b>940,399</b>	<b>(315)</b>	<b>(38,089)</b>	<b>0</b>	<b>0</b>	<b>901,995</b>	<b>79,241</b>	<b>981,236</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>388,194</b>	<b>(315)</b>	<b>(39,073)</b>	<b>0</b>	<b>0</b>	<b>348,806</b>	<b>(394,517)</b>	<b>(45,711)</b>
<b>(Surplus) or deficit on the provision of services from CI&amp;ES</b>						<b>348,806</b>	<b>(394,517)</b>	<b>(45,711)</b>

**5. Material Items of Income and Expense**

The Council has considered items within the Comprehensive Income and Expenditure Statement and the following payments to contractors are included but have not been disclosed separately.

- Shanks Waste Management Ltd of £22.15m which comprises £11.927m unitary charge and £10.224m for services (2010/11 total £19.087m, unitary charge £9.426m and services £9.661m) in respect of the Public Private Partnership for Waste Management.
- Connect CNDR Ltd of £5.6m (2010/11 £2.9m) in respect of the Carlisle Northern Development Route PFI scheme.
- Capita Symonds Ltd of £3.8m (2010/11 £9.2m) in respect of the supply of professional services for design, building services, land and property management.
- Agilysis Ltd of £18.1m (2010/11 £16.5m) in respect of the provision of Information Communication and Technology services.
- Amey Ltd of £46.5m (2010/11 £46.1m) in respect of the provision of highways related services.

The Council received grant income for the funding of 16-18 year olds in Further Education colleges of £13.419m (2010/11 £12.2m) which was paid out in the year to those colleges.

The Council received income from Cumbria Primary Care Trusts in respect of the Joint Commissioning Pooled Budget. Note 15 sets out pooled budget arrangements.

**6. Exceptional Item**

In 2011/12 as part of the Council's IAS19 calculations for the Local Government Pension Scheme the Actuary has made an allowance for the transfer of staff to Academies during the year. The initial effect at the date of transfer is shown as "Settlements" in the LGPS assets and liabilities in note 48. In addition an allowance was also made for the closure of the contract with Capita and the transferring of the pension assets and liabilities to the Council. The initial effect of this transfer is shown in the two "Business Combination" figures in the LGPS assets and liabilities in note 48. These are disclosed as an Exceptional Item in the Comprehensive Income and Expenditure Statement.

	<b>£000</b>
<u>Transfer of staff from the Council to Academies</u>	
Settlement – assets	5,871
Settlement – liabilities	(16,666)
	<b>(10,795)</b>
<u>Transfer of staff from Capita to the Council</u>	
Business Combinations – assets	(64,541)
Business Combinations - liabilities	68,348
	<b>3,807</b>

In 2010/11 as part of the pension fund valuation, the past service gain as a result of the change in valuation basis from Retail Price Index (RPI) to Consumer Price Index (CPI) is shown as an Exceptional item in the Comprehensive Income and Expenditure Statement. This past service gain totalled £75.831m. Further details can be found in Note 48.

**CUMBRIA COUNTY COUNCIL**  
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**7. Other Operating Expenditure**

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

2010/11 £000	Other Operating Expenditure	2011/12 £000
816	Precepts	754
1,159	Revaluation Losses on Assets Held for Sale	0
30,389	(Gains)/losses on the disposal of non current assets	56,155
<b>32,364</b>	<b>Total</b>	<b>56,909</b>

The net loss on disposal of £56.155m relates primarily to the transfer of schools, at no consideration, in respect of schools which became academies during the year. In 2011/12 the loss attributable to the transfer to academies was £53.010m. The most significant accounting losses were:

- Richard Rose Morton £39.665m
- Kirkby Stephen Grammar School £7.029m
- Settlebeck School £3.580m
- Burton Morewood School £1.292m

In 2010/11 the loss on disposals were Richard Rose Central (£29.370m) and Seaton Infants School (£1.724m) to Academy status. These assets are no longer included in the Council's balance sheet.

**8. Financing and Investment Income and Expenditure**

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement.

2010/11 £000	Financing and Investment Income and Expenditure	2011/12 £000
14,758	Interest payable and similar charges	16,987
31,802	Pensions interest cost and expected return on pensions assets	20,013
315	Net deficit on trading operations	2,816
(846)	Interest receivable and similar income	(1,445)
(25)	Income and expenditure in relation to investment properties and changes in their fair value	(21)
(1,045)	Investment Income	(3,045)
<b>44,959</b>	<b>Total</b>	<b>35,305</b>

The increase in interest payable is as a result of the PFI/PPP interest charges of £1.863m being charged for the first time in 2011/12. Further details on the Pension interest cost and return on pension assets can be found in note 48, however the interest cost has decreased by £4.737m whilst the expected return on assets has increased by £7.052m resulting in the net reduction of £11.789m. Interest receivable has increased as the Council has been holding higher cash balances. The investment income is the ordinary and preference dividends received from Cumbria Waste Management Ltd.

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**9. Taxation and Non Specific Grant Income**

Taxation and non specific grant income included in the Comprehensive Income and Expenditure Statement.

<b>2010/11 £000</b>	<b>Taxation and Non Specific Grant Income</b>	<b>2011/12 £000</b>
205,789	Council tax income	206,535
126,182	Non domestic rates	121,098
68,755	Non ring fenced government grants	90,987
71,114	Capital grants and contributions	77,812
<b>471,840</b>	<b>Total</b>	<b>496,432</b>



**CUMBRIA COUNTY COUNCIL**  
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**10. Adjustments Between Accounting Basis and Funding Basis under Regulations**

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

**2011/12 Movement in Reserves Statement**

	General Fund	Earmarked Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Long term investment reserve	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipt	Pension Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable reserves	Total Reserves
Balance at 31st March 2011	14,867	63,727	5,331	828	388	2,813	87,954	157,087	494,175	134	(457,340)	(588)	1,016	(12,994)	181,490	269,444
<b>Movement in Reserves during 2011/12</b>																
Surplus/(deficit) on the provision of services	21,412	0	0	0	0	0	21,412	0	0	0	0	0	0	0	0	21,412
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	10,655	0	0	(49,221)	43	0	0	(38,523)	(38,523)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,412</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(17,111)</b>
<b>Adjustments between accounting basis and funding basis under regulations (Note 10)</b>																
<b>Reversal of items debited / credited to CI&amp;E statement</b>																
Depreciation of non current assets	27,539	0	0	0	0	0	27,539	0	(27,539)	0	0	0	0	0	(27,539)	0
Depreciation and impairment of Intangible assets	3,729	0	0	0	0	0	3,729	0	(3,729)	0	0	0	0	0	(3,729)	0
Impairment of non current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Revaluation (Gains) / Losses on Property, Plant & Equipment	22,746	0	0	0	0	0	22,746	0	(22,746)	0	0	0	0	0	(22,746)	0
Revenue Expenditure Funded from Capital Under Statute	13,794	0	0	0	0	0	13,794	0	(13,794)	0	0	0	0	0	(13,794)	0
Grants on revenue expenditure funded from capital under statute	(13,794)	0	0	0	0	0	(13,794)	0	13,794	0	0	0	0	0	13,794	0
Net (Gains) and losses on disposal of non current assets	56,148	0	0	5,176	0	0	61,324	0	(61,324)	0	0	0	0	0	(61,324)	0
<b>Insertion of items not debited / credited to CI&amp;E statement</b>																
Minimum Revenue Provision	(27,269)	0	0	0	0	0	(27,269)	0	27,269	0	0	0	0	0	27,269	0
Capital expenditure charged to the general fund balance	(8,977)	0	0	0	0	0	(8,977)	0	8,977	0	0	0	0	0	8,977	0
<b>Other adjustments</b>																
Collection fund adjustment account	(519)	0	0	0	0	0	(519)	0	0	0	0	0	519	0	519	0
Accumulated Absences Adjustment	(2,695)	0	0	0	0	0	(2,695)	0	0	0	0	0	0	2,695	2,695	0
Employers contributions payable to pension funds	(40,823)	0	0	0	0	0	(40,823)	0	0	0	40,823	0	0	0	40,823	0
IAS 19 retirement benefit charges	47,796	0	0	0	0	0	47,796	0	0	0	(47,796)	0	0	0	(47,796)	0
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts used in financing	0	0	0	(223)	0	0	(223)	0	223	0	0	0	0	0	223	0
Receipts used to finance disposal costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CGUA used in financing	(77,812)	0	0	0	(388)	0	(78,200)	0	78,200	0	0	0	0	0	78,200	0
Capital grants Unapplied	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Donated Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(17,918)	17,918	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,001)	3,001	0	0	0	0	0	0	0
2010/11 Adjustments	0	0	0	0	0	0	0	0	(260)	0	0	0	0	0	(260)	(260)
<b>Adjustments between accounting basis and funding basis under regulations (Note 10)</b>	<b>(137)</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>4,428</b>	<b>(20,919)</b>	<b>19,990</b>	<b>0</b>	<b>(6,973)</b>	<b>0</b>	<b>519</b>	<b>2,695</b>	<b>(4,688)</b>	<b>(260)</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>21,275</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>25,840</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(17,371)</b>
Transfers (to) Earmarked Reserves (Note 45)	(39,172)	39,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 45)	19,959	(19,959)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves (Note 45)	10	0	(10)	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves (Note 44.2)	(1,183)	0	0	0	1,183	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2011/12</b>	<b>889</b>	<b>19,213</b>	<b>(10)</b>	<b>4,953</b>	<b>795</b>	<b>0</b>	<b>25,840</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(17,371)</b>
<b>Balance at 31st March 2012</b>	<b>15,756</b>	<b>82,940</b>	<b>5,321</b>	<b>5,781</b>	<b>1,183</b>	<b>2,813</b>	<b>113,794</b>	<b>146,823</b>	<b>514,165</b>	<b>134</b>	<b>(513,534)</b>	<b>(545)</b>	<b>1,535</b>	<b>(10,299)</b>	<b>138,279</b>	<b>252,073</b>
	15,756	82,940	5,321	5,781	1,183	2,813	113,794	146,823	514,165	134	(513,534)	(545)	1,535	(10,299)	138,279	252,073
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**CUMBRIA COUNTY COUNCIL**  
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**10. Adjustments Between Accounting Basis and Funding Basis under Regulations continued**  
**2010/11 Movement in Reserves Statement**

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve - Restated £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31st March 2010	10,050	57,185	2,851	193	0	2,813	73,092	171,428	501,402	544	(631,973)	(588)	159	(9,128)	31,844	104,936
<b>Movement in Reserves during 2010/11</b>																
Surplus/(deficit) on the provision of services	45,711	0	0	0	0	0	45,711	0	0	0	0	0	0	0	0	45,711
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(7,875)	0	0	127,082	0	0	0	119,207	119,207
<b>Total Comprehensive Income and Expenditure</b>	<b>45,711</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,711</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,918</b>
<b>Adjustments between accounting basis and funding basis under regulations (Note 10)</b>																
<b>Reversal of items debited / credited to CI&amp;E statement</b>																
Depreciation of non current assets	26,287	0	0	0	0	0	26,287	0	(26,287)	0	0	0	0	0	(26,287)	0
Depreciation and impairment of Intangible assets	3,686	0	0	0	0	0	3,686	0	(3,686)	0	0	0	0	0	(3,686)	0
Impairment of non current assets	115	0	0	0	0	0	115	0	(115)	0	0	0	0	0	(115)	0
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	47,895	0	0	0	0	0	47,895	0	(47,895)	0	0	0	0	0	(47,895)	0
Revenue Expenditure Funded from Capital Under Statute	27,388	0	0	0	0	0	27,388	0	(27,388)	0	0	0	0	0	(27,388)	0
Grants on Revenue expenditure funded from capital under statute	(23,268)	0	0	0	0	0	(23,268)	0	23,268	0	0	0	0	0	23,268	0
Net (Gains) and losses on disposal of non current assets	30,389	0	0	2,478	0	0	32,867	0	(32,867)	0	0	0	0	0	(32,867)	0
Use of capitalisation direction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;E statement</b>																
Minimum Revenue Provision	(21,017)	0	0	0	0	0	(21,017)	0	21,017	0	0	0	0	0	21,017	0
Capital expenditure charged to the general fund balance	(7,691)	0	0	0	0	0	(7,691)	0	7,691	0	0	0	0	0	7,691	0
<b>Other adjustments</b>																
Collection fund adjustment account	(857)	0	0	0	0	0	(857)	0	0	0	0	0	857	0	857	0
Accumulated Absences Adjustment	3,866	0	0	0	0	0	3,866	0	0	0	0	0	0	(3,866)	(3,866)	0
Employers contributions payable to pension funds	(40,715)	0	0	0	0	0	(40,715)	0	0	0	40,715	0	0	0	40,715	0
IAS 19 retirement benefit charges	(6,836)	0	0	0	0	0	(6,836)	0	0	0	6,836	0	0	0	6,836	0
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	(410)	0	0	0	0	(410)	(410)
Receipts used in financing	0	0	0	(1,843)	0	0	(1,843)	0	1,843	0	0	0	0	0	1,843	0
Deferred capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CGUA used in financing	(70,600)	0	0	0	388	0	(70,212)	0	70,212	0	0	0	0	0	70,212	0
Donated Assets	(514)	0	0	0	0	0	(514)	0	514	0	0	0	0	0	514	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(3,126)	3,126	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,340)	3,340	0	0	0	0	0	0	0
<b>Adjustments between accounting basis and funding basis under regulations (Note 10)</b>	<b>(31,872)</b>	<b>0</b>	<b>0</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>(30,849)</b>	<b>(6,466)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>47,551</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>30,439</b>	<b>(410)</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>13,839</b>	<b>0</b>	<b>0</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,862</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,508</b>
Transfers (to) Earmarked Reserves (Note 45)	(28,576)	28,576	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 45)	22,034	(22,034)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves (Note 45)	(2,480)	0	2,480	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2010/11</b>	<b>4,817</b>	<b>6,542</b>	<b>2,480</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,862</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,508</b>
Balance at 31st March 2011	14,867	63,727	5,331	828	388	2,813	87,954	157,087	494,175	134	(457,340)	(588)	1,016	(12,994)	181,490	269,444

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**11. Acquired and Discontinued Operations**

The Council had no discontinued operations during 2011/12.

During 2011/12 the Council took over responsibility for the operation of concessionary fares scheme from the District Councils. The net spend in 2011/12 was £8.265m.

The transfer of schools to academy status continued with 16 schools converting during the year, this resulted in a reduction in gross expenditure of £46.210m and gross income of £47.155m. This transfer of responsibility also resulted in a reduction of £53.570m in the net book value of land, buildings and equipment recorded on the Balance Sheet.

**12. Trading Operations**

The Council operates a number of trading units that undertake work on behalf of the Council and for outside bodies, subject to Government regulations on external trading.

In 2011/12, the main areas of trading took place within Environment Directorate which operates the Port of Workington and within Resources Directorate where the Premises Unit provides cleaning and catering services. The results for the year are summarised in the table below.

	Premises		Port of Workington		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Income from charges	(1,658)	(635)	(1,752)	(1,436)	(3,410)	(2,071)
Internal Income	(9,645)	(9,116)	0	0	(9,645)	(9,116)
	(11,303)	(9,751)	(1,752)	(1,436)	(13,055)	(11,187)
Expenditure	10,756	8,973	1,462	1,520	12,218	10,493
Depreciation	10	40	877	1,025	887	1,065
Revaluation Losses	0	0	265	2,445	265	2,445
(Surplus) / Deficit	<b>(537)</b>	<b>(738)</b>	<b>852</b>	<b>3,554</b>	<b>315</b>	<b>2,816</b>

**13. Agency Services**

In prior years agency work was carried out by the Council's Trading Standards department on behalf of DEFRA with the cost of carrying out this work matched by the income received (2010/11 £0.265m). There was no work undertaken by the Council under this arrangement in 2011/12.

**14. Road Charging Scheme**

The Council has no road charging schemes operating during 2011/12 or 2010/11.

**15. Pooled Budgets**

Within Adult and Children's Social Care, there are occasions where the needs of service users cannot be met in full from within the Council. In particular, there is a need to work with Primary Care Trusts as well as the Police and Probation services. The Council has entered into a number of associations with these agencies to ensure proper care is provided in a co-ordinated manner. These associations are known as 'Pooled Funds' and the Council and these agencies contribute to the costs of care. Grants are also received from Government.

Surpluses and deficits are shared in accordance with the agreements made with the agencies and the Council's share of overall surpluses or deficits are credited or charged to Adult and Local Services and Children's Services.

*Youth Offending Service*

The Council acts as a lead agency for the Youth Offending Service within Cumbria, established in April 2000. The purpose of the Youth Offending Service is to work with young offenders and reduce the level of offending and re-offending amongst young persons.

The Council operates three pooled funds (detailed below) in partnership with NHS Cumbria under section 75 of the Health Act 2006. All three funds are hosted by the Council.

*Learning Disabilities Pooled Fund*

The purpose of the pool is to arrange for the commissioning and provision of services to improve general well-being and life chances of adults with a learning disability. Funding of £15.718m was contributed to the pooled fund through NHS Cumbria in 2010/11 under the Valuing People Now guidelines. In 2011/12 this funding (£16.103m) is now provided direct to the Council from the Department of Health. There has been a planned transfer of risk over the three years from 2009/2010 to 2011/2012, with the Council's share of any surplus or deficit moving from 71.7% in 2010/11 to 83% in 2011/12.

*Integrated Community Equipment Services*

The aim of the Integrated Community Equipment Services pooled fund is to enable joint commissioning of equipment and services and implementation of seamless and accessible services for service users. Health has lead responsibility, except in South Cumbria where Adult and Local Services is the lead partner.

*Locality*

The Locality pooled fund consolidates the former Generic Care, Intermediate Care and Prevention pooled funds. Six district based Health and Social Care Joint Management teams use funds flexibly across these three services to develop local services that maintain the independence of (predominantly) older people, by helping them to stay at home for longer, preventing admission to hospital and assisting discharge from hospital.

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**15. Pooled Budgets continued**

The Council's share of the results of each of the above Pooled funds is:

2011/12	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Locality
Pooled Funds	£000	£000	£000	£000
<u>Income</u>				
Cumbria County Council	574	39,358	514	4,048
NHS Cumbria	145	8,058	175	3,859
Cumbria Police Service	156	0	0	0
Cumbria Probation Service	137	0	0	0
	1,012	47,416	689	7,907
Expenditure	733	46,582	732	8,042
(Surplus)/Deficit for year	(279)	(834)	43	135
Cumbria County Council's share of (surplus)/deficit	(279)	(692)	32	66

2010/11	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Locality
Pooled Funds	£000	£000	£000	£000
<u>Income</u>				
Cumbria County Council	1,116	23,371	678	3,805
NHS Cumbria	145	23,881	165	3,859
Cumbria Police Service	156	0	0	0
Cumbria Probation Service	137	0	0	0
	1,554	47,252	843	7,664
Expenditure	1,569	47,625	815	7,151
(Surplus)/Deficit for year	15	373	(28)	(513)
Cumbria County Council's share of (surplus)/deficit	15	268	(22)	(255)

**16. Members' Allowances**

Allowances and expenses paid to Members during 2011/12 were:

2010/11	Type of Allowance	2011/12
£000		£000
669	Basic Allowances	671
261	Special Responsibility Allowance	266
141	Expenses	129
<b>1,071</b>		<b>1,066</b>

The allowances and expenses will be published in full on the Council's website at [www.cumbria.gov.uk](http://www.cumbria.gov.uk).

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**17. Officers' Remuneration**

The Accounts and Audit Regulations 2009 extended the disclosure requirements for Officer's remuneration. The requirements provide greater transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. Senior officers include the Chief Executive, Corporate Directors, the Monitoring Officer and the Chief Finance Officer whose post titles are Assistant Director-Legal and Democratic Services and Assistant Director-Finance respectively. The remuneration paid to the Council's senior employees is as follows:-

**2011/12 Senior Officers' Remuneration**

Post Title	Name	Salary £	Bonuses £	Expenses £	Compensation for loss of employment £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive	Jill Stannard	170,000	0	0	0	0	170,000	21,930	191,930
Corporate Director - Resources	Diane Wood	128,062	0	0	0	0	128,062	16,520	144,582
Corporate Director – Adults & Local Services	Richard Parry	125,000	0	0	0	906	125,906	16,125	142,031
Corporate Director – Environment	Marie Fallon ( <b>note 1</b> )	90,093	0	0	73,288	42	163,423	10,750	174,173
Corporate Director – Safer & Stronger	Dominic Harrison	117,817	0	0	0	0	117,817	25,095	142,912
Corporate Director – OD	Jim Savege	117,817	0	0	0	769	118,586	15,198	133,784
Corporate Director – Childrens' Services	Julia Morrison	125,000	0	0	0	0	125,000	16,125	141,125
Assistant Director – Legal & Democratic Services	Angela Harwood	91,500	0	0	0	1,086	92,586	11,804	104,390
	Kate McLaughlin-Flynn ( <b>note 2</b> )	85,161	0	0	0	0	85,161	10,986	96,147
Assistant Director - Finance									
Acting Assistant Director - Finance	Julie Crellin ( <b>note 3</b> )	5,562	0	0	0	0	5,562	474	6,036
		<b>1,056,012</b>	<b>0</b>	<b>0</b>	<b>73,288</b>	<b>2,803</b>	<b>1,132,103</b>	<b>145,007</b>	<b>1,277,110</b>

**Notes**

Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.

Expenses – includes payments not liable for taxation including for example, removal expenses. It does not include reimbursement of costs incurred e.g. parking fees.

Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2011/12 the Council's mileage rate is at or below the HMRC rate so there is deemed to be no benefit received.

Employers Pension Contribution - LGPS 12.9% based on current service only (2010/11 18.6% which includes current and past service elements), Firefighters' Pension Scheme 21.3%.

1. The Corporate Director Environment left post on 30/11/2011, the annualised salary for 2011/12 was £125,000.

2. The Assistant Director Finance left post on 11/03/2012, the annualised salary for 2011/12 was £90,000

3. This includes a payment of £2,000 relating to acting as Assistant Director – Finance from 12/3/12 to 31/3/12

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**17. Officers' Remuneration continued**  
**2010/11 Senior Officers' Remuneration**

Post Title	Name	Salary £	Bonuses £	Expenses £	Compensation for loss of employment £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive	Jill Stannard	170,000	0	0	0	321	170,321	31,620	201,941
Corporate Director - Resources	Diane Wood	129,562	0	0	0	104	129,666	25,507	155,173
Corporate Director – Adults & Local Services	Richard Parry	125,000	0	0	0	936	125,936	24,705	150,641
Corporate Director – Environment	Marie Fallon	125,000	0	0	0	861	125,861	24,684	150,545
Corporate Director – Safer & Stronger	Dominic Harrison	123,452	0	0	0	0	123,452	26,295	149,747
Corporate Director – OD	Jim Savege	117,817	0	0	0	973	118,790	23,210	142,000
Assistant Director – Legal & Democratic Services	Angela Harwood	91,500	0	0	0	1,002	92,502	18,009	110,511
Assistant Director - Finance	Kate McLaughlin-Flynn	90,000	0	0	0	0	90,000	17,753	107,753
Corporate Director – Childrens' Services	Julia Morrison (from 1/9/10)	72,917	0	0	0	291	73,208	13,563	86,771
Corporate Director – Childrens' Services	Moira Swann (to 31/7/10)	44,064	0	0	0	326	44,390	9,124	53,514
		<b>1,089,312</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,814</b>	<b>1,094,126</b>	<b>214,470</b>	<b>1,308,596</b>

**Notes**

Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.

- the Corporate Director – Safer & Stronger annual salary for 2010/11 is £117,817, in addition to this he received back pay relating to the previous year.

Bonuses – the Council operated a bonus/PRP scheme which came to an end on 31<sup>st</sup> March 2010. No bonus payments were made in 2010/11.

Expenses – includes payments not liable for taxation including for example, removal expenses. It does not include reimbursement of costs incurred e.g. parking fees.

Benefits in kind – includes expense allowances liable for taxation including for example, travel and mileage expenses.

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**17. Officers' Remuneration continued**

In addition to the Senior Officer's Remuneration details, the number of officers who received annual remuneration of more than £50,000 during the year is shown in the table below.

Remuneration for these purposes consists of gross pay, sums due by way of expense allowances, compensation for loss of employment and the money value of any benefits received other than in cash, employer's pension contributions are excluded.

There are 64 school staff that received remuneration of above £50,000 during 2010/11 that were employed by schools that have since moved to Academy status and so are not included in the disclosure note for 2011/12. There are 55 non school staff that were only included in the note for 2011/12 as they received compensation for loss of employment payments that brought their total remuneration above £50,000.

	2010/11 Number of Staff			2011/12 Number of Staff		
	School Staff	Other Staff	Total	School Staff	Other Staff	Total
£50,000 - £54,999	140	44	184	115	58	173
£55,000 - £59,999	73	31	104	59	41	100
£60,000 - £64,999	35	13	48	31	17	48
£65,000 - £69,999	15	9	24	7	21	28
£70,000 - £74,999	11	10	21	4	1	5
£75,000 - £79,999	4	3	7	5	0	5
£80,000 - £84,999	9	7	16	8	8	16
£85,000 - £89,999	4	4	8	6	8	14
£90,000 - £94,999	2	6	8	1	2	3
£95,000 - £99,999	0	1	1	1	3	4
£100,000 - £104,999	3	1	4	0	0	0
£105,000 - £109,999	1	0	1	0	0	0
£110,000 - £114,999	1	0	1	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	1	1
	<b>298</b>	<b>129</b>	<b>427</b>	<b>237</b>	<b>160</b>	<b>397</b>

**18. Exit Packages and Termination Benefits**

Exit Packages

The 2011/12 Code of Practice on Local Authority Accounting introduced a new requirement to disclose the number and total cost of exit packages to which the Council has become "demonstrably committed to" in bands of £20,000. Exit package payments include all compulsory and voluntary redundancy costs, additional pension contributions, payment in lieu of notice or any other departure costs.



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**18. Exit Packages and Termination Benefits continued**

The Council has undergone a considerable programme of rationalisation and restructuring over the last two financial years, which has led to the redundancy of a number of employees, mainly voluntary but there have been some compulsory redundancies. The “other departures” covers any departure of an employee that isn’t a compulsory redundancy or an ill health retirement. The table below gives further details of the number of employees and the value of the packages, including, where applicable, the pension costs payable by the Council to the Pension Fund to meet the early retirement of some of the employees that were made redundant.

The total value of exit packages agreed in 2011/12 was £5.070m for 358 employees (£11.922m for 496 employees in 2010/11).

Exit package total cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/ 11 No.	2011/ 12 No.	2010/ 11 No.	2011/ 12 No.	2010/ 11 No.	2011/12 No.	2010/11 £000	2011/12 £000
£0-£20,000	17	97	269	183	286	280	2,578	1,939
£20,001-£40,000	4	5	107	44	111	49	3,148	1,424
£40,001-£60,000	4	2	52	17	56	19	2,724	919
£60,001-£80,000	0	1	27	7	27	8	1,842	553
£80,001-£100,000	1	0	10	0	11	0	967	0
£100,001-£150,000	0	0	3	2	3	2	352	235
£150,001-£200,000	0	0	2	0	2	0	311	0
	<b>26</b>	<b>105</b>	<b>470</b>	<b>253</b>	<b>496</b>	<b>358</b>	<b>11,922</b>	<b>5,070</b>

**Termination Payments**

Termination payments to employees include: redundancy payments, payment in lieu of notice, ill health or any other departure payments, but do not include any additional pension costs. In 2011/12 the termination payments made to employees totalled £9.948m and related to 645 staff. Some of these payments are to staff for which exit packages had already been agreed in 2010/11 and a provision made.

In 2010/11 payments were made to 161 employees totalling £1.7million and a provision was made for approximately 380 employees totalling £6.7m, some of these employees withdrew their redundancy applications and so are not included in the employees numbers disclosed in the table above.

**19. External Audit Costs**

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

2010/11 £000	External Audit Costs	2011/12 £000
271	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	225
17	Fees payable to the Audit Commission in respect of statutory inspection	0
68	Fees payable to the Audit Commission for the certification of grant claims and returns	35
<b>356</b>		<b>260</b>

**CUMBRIA COUNTY COUNCIL**  
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**20. Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education – the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council wide basis as well as the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure £000	ISB £000	Total £000	Total Carry Forward £000
Final DSG for 2011/12 at July 2011			285,931	
Academy Recoupment post July 2011			(19,139)	
			266,792	
Brought Forward from 2010/11			(1,373)	
Less Carry forward to 2012/13 agreed in advance			(1,401)	
Agreed budgeted distribution in 2011/12	28,844	235,174		
Actual central expenditure	(27,093)			
Actual ISB deployed to schools		(230,788)		
Add Local Council contribution for 2011/12	0	0	0	
<b>Carry forward to 2012/13</b>	<b>1,751</b>	<b>4,386</b>	<b>1,401</b>	<b>7,538</b>

During 2011/12 £1.8m of the Dedicated Schools Grant was used to fund capital works at a number of schools. There was some slippage in the delivery of the schemes which resulted in £1.183m being unspent at the end of the year, this balance has been transferred to the Capital grants and contributions unapplied reserve and will be utilised during 2012/13.

**21. Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12.

2010/11 £000	Credited to Taxation and Non Specific Grant Income	2011/12 £000
18,323	Revenue Support Grant	37,432
33,850	Area Based Grant	0
0	Council Tax Freeze Grant	5,139
0	Learning Disabilities	16,103
0	Early Intervention Grant	18,421
0	Extended Rights	727
0	Safer Communities	502
0	Other General Grants	316
11,882	PFI Grant	12,347
4,700	Performance Reward Grant	0
71,114	Capital Grants	77,812
<b>139,869</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>168,799</b>

**CUMBRIA COUNTY COUNCIL**  
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**21. Grant Income continued**

There was a significant change to the grant regime in 2011/12. There was a shift from service specific grants to general grants which allowed authorities to determine where it was spent. The Area Based Grant was abolished and grants that had previously been service specific, such as School Standards Grant and Sure Start, were amalgamated into a general Early Intervention Grant which is include in Taxation and Non Specific Grant Income which is detailed in Note 9.

<b>2010/11</b>	<b>Grants Credited to Services</b>	<b>2011/12</b>
<b>£000</b>		<b>£000</b>
258,341	Dedicated Schools Grant	266,792
15,613	School Standards Grant	0
24,459	Standards Fund	10,389
13,205	Sure Start, Early Years and Childcare Grant	0
0	Pupil Premium	3,455
23,405	16-18 funding Learning & Skills Council	0
2,489	Adult & Community Learning	2,753
2,563	Social Care Reform	0
1,313	Youth Offending Teams	1,136
12,211	Sixth Form funding from YPLA	13,419
0	DfT Winter Damage Grant	6,230
34,747	Other grants	6,986
23,268	REFCUS grants	13,794
<b>411,614</b>	<b>Total Grants Credited to Services</b>	<b>324,954</b>

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**22. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

**Movements on Capital Financing Requirement**

<b>2010/11 £000</b>	<b>Movement on Capital Financing Requirement</b>	<b>2011/12 £000</b>
383,265	Opening Capital Financing Requirement	393,406
189	2009/10 Adjustment	0
383,454		393,406
	<b>Capital Investment:</b>	
106,386	Property, Plant and Equipment	182,020
0	Heritage Assets	136
0	Investment Properties	0
208	Intangible Assets	374
27,388	Revenue Expenditure Funded From Capital Under Statute	13,794
133,982		196,324
	<b>Sources of Finance:</b>	
(1,842)	Capital Receipts	(223)
(93,480)	Government Grants and Contributions	(91,994)
	Sums set aside from revenue:	
(21,017)	Minimum Revenue Provision	(27,269)
(7,691)	Revenue Contributions	(8,977)
393,406	<b>Closing Capital Finance Requirement</b>	<b>461,267</b>
	<b>Explanations of Movement in Year:</b>	
8,519	Increase/ (Decrease) in underlying need to borrow	(21,541)
1,433	- Supported by Government Financial Assistance	8,093
0	- Unsupported by Government Financial Assistance	81,309
	- Assets acquired under PFI	
9,952	Increase/(decrease) in Capital Financing Requirement	67,861

**Minimum Revenue Provision**

The Council is required to set aside a minimum revenue provision (MRP) for the redemption of external debt. For 2011/12 this amount was £27.269m (2010/11 £21.017m). The difference between the MRP and depreciation is transferred to the Capital Adjustment Account to ensure capital charges do not impact on the amount to be raised by Government grant and local taxation.

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**23. Construction Contracts**

At 31<sup>st</sup> March 2012 and 31<sup>st</sup> March 2011, the Council had no construction contracts (where it was acting as contractor for another organisation) in progress.

**24. Leases**

Council as Lessee

*Finance Leases*

The Council has acquired a number of assets using finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

<b>31st March 2011 £000</b>	<b>Finance Leases</b>	<b>31st March 2012 £000</b>
8,096	Other Land and Buildings	7,969
2,100	Vehicles, Plant, Furniture & Equipment	1,050
12,896	Intangible Assets	9,349
<b>23,092</b>		<b>18,368</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property/equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

For all the Council's finance lease property assets there are minimum rentals paid (maximum annual payment £25 pa) hence the payments have not been split between financing costs and principal elements.

The Council leased intangibles and ICT hardware from Agilisys. This contract was due to end on 31st March 2012. The assets reverted to the ownership of the Council. A temporary 6 month arrangement has been put in place from 1st April 2012 until 30th September 2012 with Agilisys, but this does not contain any payments relating to the lease of ICT systems. There are therefore no material minimum future finance lease payments as at 31st March 2012. It is estimated that approximately £0.5m of the payments in the temporary contract in 2012/13 relate to the refresh of ICT hardware. This amount is not shown in the minimum lease payments disclosure below.

<b>31st March 2011 £000</b>	<b>Finance Lease Costs</b>	<b>31st March 2012 £000</b>
5,627	Total Present Value of Finance Lease liabilities	0
796	Total Finance Cost Payable in Future Years	0
<b>6,423</b>	<b>Total Minimum Lease Payments</b>	<b>0</b>

**CUMBRIA COUNTY COUNCIL**  
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**24. Leases continued**

The minimum lease payments will be payable over the following periods:

<b>Minimum Lease Payments</b>	<b>31st March 2011 £000</b>	<b>31st March 2012 £000</b>
Not later than one year	6,423	0
Later than one year but not later than five years	0	0
Later than five years	0	1
<b>Total Minimum Lease Payments</b>	<b>6,423</b>	<b>1</b>
Future Finance Charges on Finance Leases	(796)	0
<b>Present Value of Finance Lease Liabilities</b>	<b>5,627</b>	<b>1</b>

<b>Present Value of Lease Payments</b>	<b>31st March 2011 £000</b>	<b>31st March 2012 £000</b>
Not later than one year	5,627	0
Later than one year but not later than five years	0	1
<b>Present Value of Finance Lease Liabilities</b>	<b>5,627</b>	<b>1</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 and 2011/12 there no contingent rents payable by the Council.

The Council has not sub-let any of the assets held under these finance leases.

*Operating Leases*

The Council leases a number of buildings and land as operating leases over varied time periods. The Council also leases in vehicles, plant and equipment. Operating leases give the Council the right to use the assets for a period of time, but do not give similar ownership rights as for assets acquired under finance leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2011			31st March 2012		
	Op. Land & Buildings £000	Eqpt & Other Leases £000	Total £000	Op. Land & Buildings £000	Eqpt & Other Leases £000	Total £000
Not later than one year	1,103	729	1,832	957	989	1,946
Later than one year but not later than five years	1,797	735	2,531	2,232	917	3,149
Later than five years	1,129	502	1,631	1,970	43	2,013
	<b>4,029</b>	<b>1,966</b>	<b>5,994</b>	<b>5,159</b>	<b>1,949</b>	<b>7,108</b>

The expenditure is allocated to the appropriate service within the Comprehensive Income and Expenditure Statement for 2011/12.

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**24. Leases continued**

Council as lessor

The Council has a number of leased out properties all of which are operating leases. It leases out these properties for the following purposes:

- the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable office accommodation for local businesses.

*Operating leases*

The future minimum lease payments receivable under non cancellable leases in future years:

	31st March 2011			31st March 2012		
	Operational Land & Buildings £000	Equipment & Other Leases £000	Total £000	Operational Land & Buildings £000	Equipment & Other Leases £000	Total £000
Not later than one year	1,591	0	1,591	1,641	0	1,641
Later than one year but not later than five years	3,273	0	3,273	701	0	701
Later than five years	1,716	0	1,716	1,633	0	1,633
	<b>6,580</b>	<b>0</b>	<b>6,580</b>	<b>3,975</b>	<b>0</b>	<b>3,975</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Following the end of the contract with Amey on 31<sup>st</sup> March 2012 to provide highways related services there has been a large decrease in the expected amount receivable in future years. In 2011/12 no contingent rents were receivable by the Council.

**25. Private Finance Initiatives and Similar Contracts**

The Council currently has three PFI/PPP contracts which are detailed below, the liability at 31<sup>st</sup> March 2012:

Contract	Total Long Term Liability at 31 <sup>st</sup> March 2012 £000
Waste Management PPP	19,054
Carlisle Northern Development Route PFI	59,503
Fire Station Replacement PFI	2,752
	<b>81,309</b>

**25. Private Finance Initiatives and Similar Contracts continued**

Waste Management Contract

The Waste Management Contract was signed in June 2009, it is a 25 year Public Private Partnership (PPP) contract between the County Council and Shanks Waste Management Ltd. The cost to the Council over the life of the contract is expected to be £585m. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, Shanks will construct and operate two new waste treatment facilities; one in the North and one in the South of the County, these are designed to dramatically reduce the amount of residual waste sent to landfill. Shanks are also responsible for managing, maintaining and operating the existing 14 Household Waste Recycling Centres across the County. At the end of the concession period the waste treatment plants will be transferred to the Council's ownership.

Both of the new waste treatment facilities are scheduled to be fully operational by 2013. The waste treatment facility in the North became operational in December 2011. Shanks have taken over responsibility for disposing of the County's residual waste via landfill. Once the facilities are fully operational, treated waste is converted into solid recovered fuel that can be used as an alternative energy source.

*Property, Plant and Equipment*

The waste treatment facility in the North of the County became operational during the year and has been brought on to the Council's balance sheet at £24.267m. As the facility in the South of the County is still under construction it is not included within the Council balance sheet at this stage, as the risks and rewards of build remain with the contractor. Once the assets are operational they will be recognised on the Council's balance sheet.

*Payments*

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element. The unitary charge is subject to annual indexation, some prices, such as landfill, will be market tested regularly. The Council paid £11.9m gross unitary charge in 2011/12 (£9.4m in 2010/11).



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**25. Private Finance Initiatives and Similar Contracts continued**

The Council is committed to making the following payments under the waste management PPP scheme:

	Service charges	Lifecycle Additions	Repayment	Payments applied to finance assets	Contingent Rent	Interest	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Payable in 2012/13</b>	13,229	134	(403)	2,285	(19)	2,766	<b>17,992</b>
<b>Payable within 2 and 5 years</b>	61,032	1,483	(806)	0	(22)	23,656	<b>85,343</b>
<b>Payable within 6 and 10 years</b>	88,148	2,072	795	0	(530)	29,663	<b>120,148</b>
<b>Payable within 11 and 15 years</b>	101,454	2,344	6,687	0	(976)	27,565	<b>137,074</b>
<b>Payable within 16 and 20 years</b>	116,241	2,652	19,790	0	(1,428)	19,121	<b>156,376</b>
<b>Payable within 21 and 25 years</b>	51,047	1,156	14,362	0	(691)	2,675	<b>68,549</b>
<b>Total</b>	<b>431,151</b>	<b>9,841</b>	<b>40,425</b>	<b>2,285</b>	<b>(3,666)</b>	<b>105,446</b>	<b>585,482</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has been recognised for the facility in the North of the County. The liability is established at the same time that the asset is recognised on the balance sheet.

**Carlisle Northern Development Route**

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009, it is a 30 year Private Finance Initiative (PFI) contract between the County Council and Connect CNDR Ltd. The cost to the Council over the life of the contract is expected to be £437m. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The primary aim of the contract is to design, build, finance and operate a new 8.3km largely single carriageway road to connect the North and West of Carlisle. The intention is to relieve pressure on radial routes within Carlisle City, which is key to realising development of the strategic employment site at Kingmoor Park to its full potential of 5,500 jobs. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area. At the end of the concession period the road will be transferred to the Council's ownership.

*Property, Plant and Equipment*

The CNDR was completed and became operational in February 2012 and has been recognised on the Council balance sheet at £60.091m.

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**25. Private Finance Initiatives and Similar Contracts continued**

*Payments*

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element and is subject to annual indexation. The Council will receive financial support from the Department for Transport in the form of PFI grant totalling £353m, the abated PFI credits i.e. the net present value using the Government interest rate of 6.3% is £158m.

The Council paid £5.454m gross unitary charge in 2011/12 (£5.04m in 2010/11) and is committed to making the following payments in future years under the CNDP PFI scheme:

	<b>Service charges £000</b>	<b>Lifecycle Additions £000</b>	<b>Repayment £000</b>	<b>Contingent Rent £000</b>	<b>Interest £000</b>	<b>Total £000</b>
<b>Payable in 2012/13</b>	3,225	1,657	(235)	384	7,365	<b>12,396</b>
<b>Payable within 2 and 5 years</b>	15,018	7,054	684	2,172	29,404	<b>54,332</b>
<b>Payable within 6 and 10 years</b>	17,669	9,856	4,354	4,886	35,628	<b>72,393</b>
<b>Payable within 11 and 15 years</b>	20,723	11,151	7,278	6,606	32,236	<b>77,994</b>
<b>Payable within 16 and 20 years</b>	24,983	12,617	12,283	8,006	26,428	<b>84,317</b>
<b>Payable within 21 and 25 years</b>	29,222	14,275	21,615	9,714	16,635	<b>91,461</b>
<b>Thereafter</b>	14,274	7,836	14,697	5,064	2,679	<b>44,550</b>
<b>Total</b>	<b>125,114</b>	<b>64,446</b>	<b>60,676</b>	<b>36,832</b>	<b>150,375</b>	<b>437,443</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has been recognised on the balance sheet.

Fire Station Replacement PFI Scheme

The Council is involved in a second PFI project, with Merseyside and Lancashire Fire and Rescue Authorities, to deliver sixteen new fire stations, five of which will be in Cumbria. The basis of the partnership is set out in a joint working agreement. Contracts were signed between Balfour Beatty Fire and Rescue NW Ltd in February 2011, with construction commencing in 2011/12 and scheduled completion in 2013/14. The cost to the Council of the Cumbria element of the contract is expected to be £59m. The contract will run for 25 years from the date of final handover, and the Council will pay a unitary payment. The stations to be built in Cumbria are:

- Carlisle - 2 sites - Carlisle East and Carlisle West.
- Workington – To include the Locality Headquarters.
- Penrith - To include the Council's Resilience Unit and Fire & Rescue Service Headquarters & Learning & Development Department.
- Patterdale – On existing site.

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**25. Private Finance Initiatives and Similar Contracts continued**

At the end of the concession period the fire stations are handed over to the Council.

*Property, Plant and Equipment*

Patterdale and Carlisle West Fire Stations were completed in the year and became operational in November 2011 and March 2012 respectively. The remaining three stations are still under construction. Patterdale and Carlisle West have been recognised on the Council's balance sheet at £2.678m and then revalued to £1.804m. The remaining three are not included within the Council's balance sheet at this stage as the risks and rewards of build remain with the contractor. Once the assets are operational they will be recognised on the Council's Balance Sheet.

*Payments*

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element and is subject to annual indexation. The whole project will receive financial support from the Department for Communities and Local Government in the form of PFI Credits totalling £66.4m. The Council paid £0.053m gross unitary charge in 2011/12 (Nil in 2010/11) and is committed to making the following payments in future years under the under the Fire Station Replacement PFI scheme:

	<b>Service charges £000</b>	<b>Repayment £000</b>	<b>Contingent Rent £000</b>	<b>Interest £000</b>	<b>Total £000</b>
<b>Payable in 2012/13</b>	518	(55)	(8)	946	<b>1,401</b>
<b>Payable within 2 and 5 years</b>	1,920	873	55	5,407	<b>8,255</b>
<b>Payable within 6 and 10 years</b>	2,634	1,662	220	6,231	<b>10,747</b>
<b>Payable within 11 and 15 years</b>	3,041	2,477	391	5,372	<b>11,281</b>
<b>Payable within 16 and 20 years</b>	3,520	3,711	567	4,088	<b>11,886</b>
<b>Payable within 21 and 25 years</b>	4,077	5,586	747	2,159	<b>12,569</b>
<b>Thereafter</b>	1,221	1,759	171	136	<b>3,287</b>
<b>Total</b>	<b>16,931</b>	<b>16,013</b>	<b>2,143</b>	<b>24,339</b>	<b>59,426</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has been recognised. The liability for the three stations still under construction will be established at the same time that the asset is recognised on the balance sheet.

**26. Capitalisation of Borrowing Costs**

There was no capitalisation of borrowing costs in 2011/12 or 2010/11.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**27. Property, Plant and Equipment**

**27.1 Movement on Balances – Movement 2011/12**

2011/12	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, plant & Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>								
At 1st April 2011	695,857	47,576	353,671	46	29,007	10,471	1,136,628	1,342
Additions	40,072	1,883	101,363	0	38,537	165	182,020	87,036
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,054	147	(3,458)	0	0	1,684	6,427	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(27,615)	(375)	(2,202)	0	0	(953)	(31,145)	(874)
De-recognition – disposals	(56,692)	(4,134)	(5,272)	0	(21)	(3,049)	(69,168)	0
Assets reclassified to/from Held for Sale	(350)	0	0	0	0	32	(318)	0
Reclassifications – other	29,845	887	0	0	(32,279)	2,594	1,047	0
Adjustments re 2010/11	(17)	0	0	0	0	58	41	0
<b>At 31st March 2012</b>	<b>689,154</b>	<b>45,984</b>	<b>444,102</b>	<b>46</b>	<b>35,244</b>	<b>11,002</b>	<b>1,225,532</b>	<b>87,504</b>
<b><u>Accumulated Depreciation</u></b>								
At 1st April 2011	(20,229)	(25,745)	(61,176)	0	0	(157)	(107,306)	0
Depreciation charge	(11,838)	(5,139)	(10,478)	0	0	(84)	(27,539)	(34)
Depreciation written out to the Revaluation Reserve	5,002	517	1,488	0	0	136	7,143	0
Depreciation written out to the surplus/deficit on the provision of services	4,587	163	0	0	0	23	4,773	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	(285)	0	902	0	0	0	617	0
De-recognition – disposals	1,040	1,837	5,272	0	0	195	8,344	0
Assets reclassified to/from Held for Sale	33	0	0	0	0	0	33	0
Depreciation on reclassifications - other	193	1	0	0	0	(194)	0	0
<b>At 31st March 2012</b>	<b>(21,497)</b>	<b>(28,366)</b>	<b>(63,992)</b>	<b>0</b>	<b>0</b>	<b>(81)</b>	<b>(113,935)</b>	<b>(34)</b>
<b><u>Net Book Value</u></b>								
<b>at 31st March 2012</b>	<b>667,657</b>	<b>17,620</b>	<b>380,109</b>	<b>46</b>	<b>35,244</b>	<b>10,921</b>	<b>1,111,597</b>	<b>87,470</b>
<b>at 1st April 2011</b>	<b>675,629</b>	<b>21,831</b>	<b>292,495</b>	<b>46</b>	<b>29,007</b>	<b>10,313</b>	<b>1,029,321</b>	<b>1,342</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**27. Property, Plant and Equipment continued**

**27.2 Movement on Balances - Comparative Movements in 2010/11**

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, plant & Equipment	PFI Assets Included in Property Plant & Equipment
2010/11	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>								
At 1st April 2010	742,616	42,462	309,093	52	29,782	11,022	1,135,027	0
Additions	29,403	7,298	43,686	0	25,971	28	106,386	1,342
Donations	0	514	0	0	0	0	514	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,632)	0	(438)	0	0	737	(16,333)	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(48,957)	0	0	0	0	(5,015)	(53,972)	0
De-recognition – disposals	(30,279)	(2,699)	0	0	0	(556)	(33,533)	0
De-recognition – other	0	0	0	0	0	0	0	0
Assets reclassified to/from Held for Sale	(1,596)	0	0	0	0	135	(1,461)	0
Reclassifications – other	21,302	0	1,329	(6)	(26,746)	4,120	0	0
<b>At 31st March 2011</b>	<b>695,857</b>	<b>47,576</b>	<b>353,671</b>	<b>46</b>	<b>29,007</b>	<b>10,471</b>	<b>1,136,628</b>	<b>1,342</b>
<b><u>Accumulated Depreciation</u></b>								
At 1st April 2010	(22,172)	(21,346)	(53,163)	0	0	(755)	(97,437)	0
Depreciation charge	(13,117)	(5,156)	(8,013)	0	0	0	(26,285)	0
Depreciation written out to the Revaluation Reserve	7,766	0	0	0	0	684	8,450	0
Depreciation written out to the surplus/deficit on the provision of services	6,941	0	0	0	0	218	7,159	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the surplus/deficit on the provision of services	(114)	0	0	0	0	0	(114)	0
De-recognition – disposals	78	757	0	0	0	5	840	0
De-recognition – other	81	0	0	0	0	0	81	0
Depreciation on reclassifications - other	309	0	0	0	0	(309)	0	0
<b>At 31st March 2011</b>	<b>(20,229)</b>	<b>(25,745)</b>	<b>(61,176)</b>	<b>0</b>	<b>0</b>	<b>(157)</b>	<b>(107,306)</b>	<b>0</b>
<b><u>Net Book Value</u></b>								
<b>at 31st March 2011</b>	<b>675,629</b>	<b>21,831</b>	<b>292,495</b>	<b>46</b>	<b>29,007</b>	<b>10,313</b>	<b>1,029,321</b>	<b>1,342</b>
<b>at 1st April 2010</b>	<b>720,444</b>	<b>21,116</b>	<b>255,930</b>	<b>52</b>	<b>29,782</b>	<b>10,266</b>	<b>1,037,590</b>	<b>0</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**27. Property, Plant and Equipment continued**

**27.3 Depreciation**

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

Operational Buildings	30 - 60 years
Waste Disposal Sites	30 years
Infrastructure Works	40 years*
Vehicles, Plant, Furniture & Equipment	5 – 15 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Heritage Assets	No depreciation charged as indeterminate life
Intangible Assets	5 years
Land	Infinite life

\* Because of the diverse nature of infrastructure assets, individual asset lives have been assigned as appropriate.

**27.4 Capital Commitments**

At 31<sup>st</sup> March 2012 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £46.461m. Similar commitments at 31<sup>st</sup> March 2011 were £50.573m. The major commitments are:

2010/11 £000	Capital Project	2011/12 £000
	<b>Schools – new build and refurbishments:</b>	
19,050	West Lakes Academy	3,832
10,900	Richard Rose Morton Academy	264
8,583	Trinity School	3,155
2,400	St Bernards	330
5,400	Vickerstown School, Barrow	0
3,500	St Georges School, Barrow	0
57	Barrow Island School	2,994
0	Walney School	2,687
0	Furness Academy	23,288
	<b>Other Projects:</b>	
0	Barrow Elderly Persons Home	130
0	Highways Fleet	6,949
0	Mobilising Infrastructure	249
0	Northside Bridge	2,583
240	4 Elderly Persons Homes	0
123	Kirkby Stephen Local Links	0
80	DAAT	0
140	Other Minor Schemes	0
100	Archives & Records Office	0
<b>50,573</b>		<b>46,461</b>

The Council has further contractual commitments in respect of PFI/PPP schemes that are detailed in Note 25.

**27. Property, Plant and Equipment continued**

**27.5 Effects of Changes in Estimates**

In 2011/12 the Council has not made any material changes in estimates methodology used.

**27.6 Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The officers who undertook these valuations in 2011/12 were:

- D Kirkwood, BSc (Hons) MRICS
- D Wiggins, BSc (Hons) MRICS
- P Robinson, BSc (Hons) MRICS
- D Rawle, BSc (Hons) MRICS

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and in accordance with the CIPFA IFRS Code of Practice on Local Authority Accounting. Specialist valuers from the Valuation Office Agency (VOA) were engaged to carry out the valuation of the Port of Workington which was due this year as part of the five yearly cycle of valuations. The valuation was carried out by Martyn Platt BSc (Hons) MRICS from the National Specialist Unit of the VOA. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. Furniture and equipment is only treated as a non current asset when purchased as part of a capital project, otherwise it is treated as de minimis expenditure and a direct charge to the revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the fair values are:

- That all required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with.
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground.
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms.
- That sewer, main services and the roads giving access to the property have been adopted.
- Unless otherwise stated, the Valuers will take no account of any form of taxation, grants or costs that may arise on acquisition or disposal of the properties.

Property assets are classified as:

- Property plant and equipment
- Leases and lease type arrangements
- Investment property
- Assets held for sale

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**27. Property, Plant and Equipment continued**

Fair Value is reported or measured as follows;

<b>Category</b>	<b>Basis</b>
Property plant and equipment (except infrastructure community assets and assets under construction)	Existing Use Value (EUV)
Specialised property	Depreciated Replacement Cost (DRC) method
Investment Property	MV
Assets held for sale	MV

The Council has set in place a five-year rolling programme of asset revaluations.

The history of asset valuations is as follows:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Properties Not Held for Sale	Total
	£000	£000	£000	£000
<b>Carried at Historic Cost</b>	0	13,225	0	13,225
<b>Valued at fair value (Net Book Value) as at:</b>				
31/3/12	156,774	4,395	3,219	164,388
31/3/11	162,767	0	3,902	166,669
31/3/10	112,771	0	1,008	113,779
31/3/09	143,235	0	2,332	145,567
31/3/08	92,112	0	460	92,572
<b>Total</b>	<b>667,658</b>	<b>17,620</b>	<b>10,921</b>	<b>696,199</b>

**28. Impairment Losses**

During 2011/12 Dowdales Secondary School in Dalton in Furness suffered a fire. Repairs totalling £0.190m have been carried out and were completed in April 2012. This asset has been valued this year as part of the valuation cycle. The value of £12.810m reflects the cost of the damage and has been treated as an impairment subsequently written out on revaluation. The value of this asset will be reviewed again in 2012/13 upon completion of the repairs.

No other instances of impairment have been identified for 2011/12. In 2010/11 the Council incurred £0.114m impairment loss in respect of one property in Kendal).



**29. Heritage Assets**

Heritage assets are assets that are held by the Council for their cultural, environmental or historical value. Tangible heritage assets include historical buildings, paintings, sculptures, archives and other works of art. Intangible heritage assets include sound and film recordings. The heritage assets held by the Council include various collections within the Council's archive collection, monuments, artefacts, paintings, sculptures and civic regalia.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets, in particular, where authorities are unable to obtain valuations of heritage assets.

The Council's collections of heritage assets are accounted for as follows:

**Archives**

Many of the archives that are held within the Council's archive collection are owned by families and deposited with the Council for the public benefit e.g. the Lowther Archives and the Ellen Rose collection. These assets, and any others not owned by the Council, are not included in the Council's Balance Sheet.

Collections that are owned by the Council include Lady Anne Clifford's Great Books of Record 1675, and a recent acquisition in 2011/12 was the Alfred Wainwright archives. These items are reported in the Balance Sheet at cost or insurance valuations. The insurance valuations are regularly reviewed. The archives are deemed to have indeterminate asset lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The Council's Archives are reported in the Balance Sheet at cost with the exception of two pieces. The cost is not available for one and the Romney sketch books are stated at insurance values. The insurance values are regularly reviewed.

**Monuments**

The Council has two historic monuments:

- King Edward 1 monument, Burgh by Sands
- Market Cross, Alston

They are recorded in the asset register at £1 each in order to recognise that the Council holds the assets, but that there is no historic cost information or valuation available. The monuments are deemed to have indeterminate asset lives hence the Council does not consider it appropriate to charge depreciation.

**CUMBRIA COUNTY COUNCIL**  
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**29. Heritage Assets continued**

**Artefacts**

The Council owns two 18<sup>th</sup> century cannons located outside The Courts building in Carlisle. There is no cost information or valuation available so these assets are not included on the Council's Balance Sheet.

**Art Collection**

Various paintings, drawings and photographs are displayed across the Council's offices and facilities. These items are reported in the Balance Sheet at cost or insurance valuations. The insurance valuations are regularly reviewed. The items are deemed to have indeterminate asset lives and a high residual value; therefore the Council does not consider it appropriate to charge depreciation. Works of art to the value of £0.126m are reported in the Balance Sheet at insurance values. Other paintings are reported at a valuation of £9,500. There is no cost or valuation available for the Percy Kelly painting owned by the Council.

**Civic Regalia**

The Council has civic regalia which consist of the Chairman's Badge and Chain of Office and the Chairman's Lady/Consort Badge and Chain of Office. They are reported at their insurance valuation of £2,000, which is regularly reviewed. They are deemed to have indeterminate asset lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

**Miscellaneous**

There are a number of unusual heritage assets. The significant items comprise a 1938 model of the SS Stockwell donated by the builders of the ship and a Victorian wall clock. These items are reported in the Balance Sheet at cost or insurance valuations and total £8,500. The Council also owns an Andy Goldsworthy sculpture of a sheepfold for which no cost or valuation is available. These items are deemed to have indeterminate asset lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

A summary of the carrying value of Heritage Assets held by the Council at 31st March 2012 is set out in the table below:

	Archives	Historic Monuments	Artefacts	Art Collection	Civic Regalia	Miscellaneous	Total Assets
	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>							
At 1st April 2010	239	0	0	136	2	8	385
Additions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
<b>At 31st March 2011</b>	<b>239</b>	<b>0</b>	<b>0</b>	<b>136</b>	<b>2</b>	<b>8</b>	<b>385</b>
<b><u>Cost or Valuation</u></b>							
At 1st April 2011	239	0	0	136	2	8	385
Additions	136	0	0	0	0	0	136
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
<b>At 31st March 2012</b>	<b>375</b>	<b>0</b>	<b>0</b>	<b>136</b>	<b>2</b>	<b>8</b>	<b>521</b>

**CUMBRIA COUNTY COUNCIL**  
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**29. Heritage Assets continued**

**Additions and Disposals of Heritage Assets in 2011/12**

Two purchases were made in 2011/12 - an Alfred Wainwright Archives collection and Alston memorial documents at a total cost of £0.136m. There were no disposals in 2011/12.

**Heritage Assets – Summary of Transactions**

	Transactions Prior to 2010/11 £000	Transactions 2010/11 £000	Transactions 2011/12 £000
<b>Cost or valuation of Acquisitions of Heritage Assets:</b>			
Archives	239	0	136
Art Collection	136	0	0
Civic Regalia	2	0	0
Miscellaneous	5	0	0
<b>Total Cost of Purchases</b>	<b>382</b>	<b>0</b>	<b>136</b>
<b>Value of Heritage Assets Acquired by Donation:</b>			
Miscellaneous	3	0	0
<b>Total Donations</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>Total Heritage Assets</b>	<b>385</b>	<b>0</b>	<b>136</b>

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. physical deterioration, breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Where any heritage assets are disposed of the proceeds will be accounted for in accordance with the Council's general provisions relating to the disposal of Property, Plant and Equipment.

For 2011/12 the Council is required to change its accounting policy for Heritage Assets and recognise them at valuation where possible. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of Heritage Assets are set out in the Council's summary of significant accounting policies (see policy xiii).

In applying the new accounting policy, the Council has identified that the assets that were previously held as Community Assets within Property, Plant and Equipment at £2 are now reclassified as Heritage Assets. The Council has also recognised an additional £0.385m for the recognition of Heritage Assets that were not previously in the Balance Sheet. This increase is recognised in the Revaluation Reserve. The 1st April 2010 and 31st March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**29. Heritage Assets continued**

The effects of the restatement are as follows:

At 1st April 2010 the carrying amount of the Heritage Assets was presented at its cost or valuation at £0.385m. The element that was previously recognised in Property, Plant and Equipment has been reclassified. The Revaluation Reserve has increased by £0.385m.

The fully restated Balance Sheet is provided on page 17. The adjustments that have been made to the Balance Sheet published in the 2010/11 Statement of Accounts are as follows:

**Effect on Balance Sheet 1st April 2010**

	Balance Sheet as at 1st April 2010 £000	Restatement £000	Restated Balance Sheet as at 1st April 2010 £000
<b>Total Property, Plant and Equipment</b>	1,037,590	0	1,037,590
Heritage Assets	0	385	385
Investment Properties	1,232	0	1,232
Intangible Assets	16,583	0	16,583
Long Term Investments	2,813	0	2,813
Long Term Debtors	2,254	0	2,254
<b>Total Long Term Assets</b>	<b>1,060,472</b>	<b>385</b>	<b>1,060,857</b>
Current Assets	157,213	0	157,213
Current Liabilities	(129,698)	0	(129,698)
Long Term Liabilities	(983,436)	0	(983,436)
<b>Total Net Assets</b>	<b>104,551</b>	<b>385</b>	<b>104,936</b>
Usable Reserves	73,092	0	73,092
Unusable Reserves	31,459	385	31,844
Net Worth/Total Reserves	<b>104,551</b>	<b>385</b>	<b>104,936</b>

Note: Long Term debtors have also been restated at 1<sup>st</sup> April 2010 and details are in Note 55.

**Movement in Reserves Statement - Unusable Reserves 2010/11**

The restatement of the unusable reserves in the Movement in Reserves Statement, as of 31st March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated 31st March 2011 £000	Restatement 2011 £000	As Restated 31st March 2011 £000
<b>Total Unusable Reserves as at 1st April 2010</b>	31,459	385	31,844
Surplus or Deficit on the Provision of Services	0	0	0
	31,459	385	31,844
Other Comprehensive Income and Expenditure	119,207	0	119,207
Adjustments between the accounting basis and the funding basis under regulations	30,439	0	30,439
<b>Increase/(Decrease) in 2010/11</b>	<b>149,646</b>	<b>0</b>	<b>149,646</b>
		0	
<b>Total Unusable Reserves as at 31st March 2011</b>	<b>181,105</b>	<b>385</b>	<b>181,490</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**29. Heritage Assets continued**

The resulting restated Balance Sheet for 31st March 2011 is provided on page 17. The adjustments that have been made to the Balance Sheet published in the 2010/11 Statement of Accounts are as follows:

	Balance Sheet as at 31st March 2011 £000	Restatement £000	Restated Balance Sheet as at 31st March 2011 £000
<b>Total Property, Plant and Equipment</b>	1,029,321	0	1,029,321
Heritage Assets	0	385	385
Investment Properties	1,232	0	1,232
Intangible Assets	13,104	0	13,104
Long Term Investments	2,813	0	2,813
Long Term Debtors	1,979	0	1,979
<b>Total Long Term Assets</b>	<b>1,048,449</b>	<b>385</b>	<b>1,048,834</b>
Current Assets	191,453	0	191,453
Current Liabilities	(146,847)	0	(146,847)
Long Term Liabilities	(823,996)	0	(823,996)
<b>Total Net Assets</b>	<b>269,059</b>	<b>385</b>	<b>269,444</b>
Usable Reserves	87,954	0	87,954
Unusable Reserves	181,105	385	181,490
Net Worth/Total Reserves	<b>269,059</b>	<b>385</b>	<b>269,444</b>

Note: Long Term debtors have also been restated at 31<sup>st</sup> March 2011 and details are in Note 55.

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £0.385m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £0.385m and Property, Plant and Equipment being restated by £2 being the amount of Heritage Assets previously recognised in Community Assets.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**30. Investment Properties**

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive and Income and Expenditure Statement.

<b>2010/11 £000</b>	<b>Investment Properties Income &amp; Expenditure</b>	<b>2011/12 £000</b>
27	Rental income from investment properties	21
(2)	Direct operating expenses arising from investment property	0
<b>25</b>	<b>Net gain/(loss)</b>	<b>21</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement. The following table summarises the movements in the fair value of investment properties over the year:

<b>31st March 2011 £000</b>	<b>Movement in the Fair Value of Investment Properties</b>	<b>31st March 2012 £000</b>
1,232	Balance at the start of the year	1,232
0	Transfers	(1,047)
<b>1,232</b>	<b>Balance at the end of the year</b>	<b>185</b>

**31. Intangible Assets**

The Council's accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software. All software is given a finite useful life of five years, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £3.729m charged to revenue in 2011/12 (£3.686m 2010/11) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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**31. Intangible Assets continued**

The movement on Intangible Asset balances during the year is as follows:

	2010/11	2011/12
<b>Intangible Assets</b>	<b>Other Intangible Assets £000</b>	<b>Other Intangible Assets £000</b>
Balance at start of year:		
Gross carrying amount	18,440	18,647
Accumulated amortisation	(1,857)	(5,543)
Net carrying amount at start of year	16,583	13,104
Purchases	207	374
Revaluation increases or (decreases)	0	0
Amortisation for the period	(3,686)	(3,729)
<b>Net carrying amount at end of year</b>	<b>13,104</b>	<b>9,749</b>
Comprising:		
Gross carrying amount	18,647	19,021
Accumulated amortisation	(5,543)	(9,272)
	<b>13,104</b>	<b>9,749</b>

There are five items of capitalised software that are individually material to the financial statements:

- Electronic Social Care Records
- e5 accounting system
- Customer Access project
- e-procurement
- Trent HR and payroll system

These were all brought on to the Council's balance sheet as part of IFRS restatement. This followed a review of arrangements with suppliers that are not legally leases but convey the right to use an asset in return for payment and where fulfilment of the arrangement is dependent on the use of specific assets.

The first two items were brought onto the balance sheet as at 1st April 2009 and the remainder in 2009/10. The initial recognition valuation was at Net Present Value and then the assets were revalued to cost within the same financial year.

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**32. Long Term Investments**

As a result of Government legislation, Cumbria Waste Management Ltd (CWM) was created in 1993 as a wholly owned company tendering for the waste disposal business within Cumbria in competition with the private sector. The majority of the waste disposal assets of the County Council were transferred to the new company in exchange for £2,813,000 of shares.

In June 2009, the Council selected a waste management partner, Shanks Waste Management Ltd, in a 25 year Public Private Partnership (PPP) contract. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme. CWM is a sub-contractor to Shanks, under this contract.

	Balance at 31st March 2011 £000	Sale Proceeds £000	Profit on Disposal £000	Balance at 31st March 2012 £000
<b>Long Term Investments</b>				
Cumbria Waste Management Ltd	2,813	0	0	2,813

**33. Long Term Debtors**

The long term debtor on Probation and Charlotte Mason represents sums due from the National Offender Management Service and the University of Cumbria in relation to pre 1990 and earlier debts, incurred financing capital schemes. The debt is repayable at 4% per annum in accordance with the Minimum Revenue Provision (MRP) rules, namely at 4% per annum of a reducing balance. The long term debtor for Magistrates is being repaid by HM Courts and Tribunals service in accordance with MRP rules. The grant is at 80% of the full cost. The debt repayable in respect of Barrow 6<sup>th</sup> Form College is being repaid, over 25 years, in equal instalments.

The Council also has outstanding debtors owed by individuals in respect of residential care charges. Of this debt £6.096m is considered as long term debt in 2011/12, as it is either secured by a charge on property or is part of a deferred payment agreement. The 31<sup>st</sup> March 2011 and 1<sup>st</sup> April 2010 comparative figures have also been updated to include £4.969m and £3.056m of outstanding residential care charges in long term debtors, this was previously shown in short term debt.

	Balance at 31st March 2011 £000	Net In Year Transactions £000	Balance at 31st March 2012 £000
<b>Long Term Debtors</b>			
Charlotte Mason & Barrow 6 <sup>th</sup> Form Colleges	543	(32)	511
Probation Service	338	(13)	325
Magistrates Court Service	669	(27)	642
Residential Care Charges	4,969	1,127	6,096
Staff Car Loans	429	8	437
	<b>6,948</b>	<b>1,064</b>	<b>8,011</b>



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**34. Current Assets Held For Sale**

Assets held for Sale	Current		Non Current	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	494	626	0	0
Assets newly classified as held for sale: Property, Plant & Equipment	1,590	317	0	0
Revaluation Losses	(1,240)	(207)	0	0
Revaluation Gains	12	0	0	0
Impairment Losses	0	0	0	0
Assets de-classified as held for sale: Property, Plant & Equipment	(135)	(32)	0	0
Assets Sold	(95)	(501)	0	0
Transfers from non current to current	0	0	0	0
<b>Balance outstanding at year end</b>	<b>626</b>	<b>203</b>	<b>0</b>	<b>0</b>

**35. Inventories**

Inventories	Consumable Stores		Maintenance Materials		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	393	1,115	45	41	438	1,156
Purchases	5,029	3,476	23	21	5,052	3,497
Recognised as an expense in the year	(4,307)	(3,177)	(27)	(15)	(4,334)	(3,192)
Written off balances	0	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>1,115</b>	<b>1,414</b>	<b>41</b>	<b>47</b>	<b>1,156</b>	<b>1,461</b>

Consumable stores consist of salt, Fire & Rescue Service equipment and uniform and catering stocks. The maintenance materials are spares and equipment in the Fire & Rescue Service workshops.

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**36. Short Term Debtors and Prepayments**

An analysis of sums due to the Council as at 31<sup>st</sup> March 2012 is as follows:

<b>31st March 2011 £000</b>	<b>Debtors and Prepayments</b>	<b>31st March 2012 £000</b>
	<b>Debtors:</b>	
15,312	Central Government Bodies	8,057
(1)	Central Government Bodies – doubtful debt allowance	0
2,813	Other Local Authorities	3,376
(59)	Other Local Authorities – doubtful debt allowance	(62)
3,986	NHS Bodies	4,602
(493)	NHS Bodies – doubtful debt allowance	(34)
0	Public Corporations and Trading Funds	449
40,615	Other Entities and Individuals	31,188
(7,458)	Other Entities and Individuals – doubtful debt allowance	(8,208)
<b>54,715</b>		<b>39,368</b>
	<b>Prepayments:</b>	
67	Other Local Authorities	0
2	NHS Bodies	0
0	Public Corporations and Trading Funds	477
11,005	Other Entities and Individuals	4,043
<b>11,074</b>		<b>4,520</b>
<b>65,789</b>	<b>Total Debtors and Prepayments</b>	<b>43,888</b>

The decrease in short term debtors is due to the following:

<b>BREAKDOWN OF LARGE VARIANCES</b>	<b>31<sup>st</sup> March 2011 £000</b>	<b>31<sup>st</sup> March 2012 £000</b>	<b>Variance £000</b>
Standard Fund Revenue Grant	1,659	0	(1,659)
Flood grant debtor	6,465	263	(6,202)
Accounts Receivable	13,440	10,056	(3,384)
Schools converted to academy status during 2011/12	1,060	0	(1,060)
PFI/PPP Prepayments	6,156	1,388	(4,768)
POW Container Handling Facility	2,257	283	(1,974)
Other debtors and prepayments	34,752	31,898	(2,854)
<b>Total</b>	<b>65,789</b>	<b>43,888</b>	<b>(21,901)</b>

The bad debt provision for the Council is calculated depending on the length of time that the debt has been outstanding, and the type of debt. The bad debt provision as shown in the Council's accounts at 31st March is analysed below:

<b>Bad Debt Provision</b>	<b>31st March 2011 £000</b>	<b>31st March 2012 £000</b>
Central Bad Debt Provision	1,289	1,380
RAS and NAS	1,485	1,929
Council Tax Payers	5,237	4,995
<b>Total</b>	<b>8,011</b>	<b>8,304</b>

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**37. Financial Instruments**

*Categories of Financial Instruments*

The following categories of financial instruments are carried in the Balance Sheet.

**37.1 Financial Instruments Balances**

	Long-Term		Current	
	31st March 2011	31st March 2012	31st March 2011	31st March 2012
	£000	£000	£000	£000
<b>Investments:</b>				
Loans and receivables	0	0	43,595	66,277
Unquoted equity at cost	2,813	2,813	0	0
Cash and Cash equivalents	0	0	75,318	61,291
<b>Total investments</b>	<b>2,813</b>	<b>2,813</b>	<b>118,913</b>	<b>127,568</b>
<b>Debtors:</b>				
Loans and receivables	6,918	8,011	39,645	22,143
<b>Total debtors</b>	<b>6,918</b>	<b>8,011</b>	<b>39,645</b>	<b>22,143</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	316,021	315,974	14,867	4,691
Bank Overdraft	0	0	7,583	6,110
<b>Total Borrowings</b>	<b>316,021</b>	<b>315,974</b>	<b>22,450</b>	<b>10,801</b>
<b>Other Long Term Liabilities:</b>				
Finance lease Liabilities	0	0	5,627	0
PFI liabilities	0	81,309	0	0
<b>Total other long term liabilities</b>	<b>0</b>	<b>81,309</b>	<b>5,627</b>	<b>0</b>
<b>Creditors:</b>				
Financial liabilities at amortised cost	0	2,536	73,608	49,089
<b>Total creditors</b>	<b>0</b>	<b>2,536</b>	<b>73,608</b>	<b>49,089</b>

*Reclassifications*

There were no reclassifications in the year.

**37.2 – Income, Expense, Gains and Losses On Financial Instruments**

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

2011/12	PFI Liability	Financial Liabilities (measured at amortised costs)	Financial Assets (Available for Sale)	Financial Assets (Loans & Receivables)	Total
	£000	£000	£000	£000	£000
Interest Expense	1,863	15,124	0	0	16,987
Losses on derecognition	0	0	0	0	0
<b>Total expense in surplus or deficit on the provision of services</b>	<b>1,863</b>	<b>15,124</b>	<b>0</b>	<b>0</b>	<b>16,987</b>
Interest Income	0	0	0	(4,490)	(4,490)
Gains on derecognition	0	0	0	0	0
<b>Total income in surplus or deficit on the provision of services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,490)</b>	<b>(4,490)</b>
<b>Net (Gain)/Loss for year</b>	<b>1,863</b>	<b>15,124</b>	<b>0</b>	<b>(4,490)</b>	<b>12,497</b>

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**37.2 – Income, Expense, Gains and Losses On Financial Instruments**  
**continued**

2010/11	PFI Liability  £000	Financial Liabilities (measured at amortised costs) £000	Financial Assets (Available for Sale) £000	Financial Assets (Loans & Receivables) £000	Total  £000
Interest Expense	0	14,758	0	0	14,758
Losses on derecognition	0	0	0	0	0
<b>Total expense in surplus or deficit on the provision of services</b>	<b>0</b>	<b>14,758</b>	<b>0</b>	<b>0</b>	<b>14,758</b>
Interest Income	0	0	0	(1,891)	(1,891)
Gains on derecognition	0	0	0	0	0
<b>Total income in surplus or deficit on the provision of services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,891)</b>	<b>(1,891)</b>
<b>Net (Gain)/Loss for year</b>	<b>0</b>	<b>14,758</b>	<b>0</b>	<b>(1,891)</b>	<b>12,867</b>

*Fair Value Of Assets And Liabilities*

Financial liabilities and financial assets are represented by loans and receivables and long-term debtors and creditors 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:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing as per PWLB rate sheet number 128/12.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised. Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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**37. Financial Instruments continued**

*Fair Value Of Assets And Liabilities continued*

The fair values calculated are as follows:

<b>Fair Value of Liabilities</b>	<b>31st March 2011</b>		<b>31st March 2012</b>	
	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
Financial Liabilities:				
PWLB borrowings	290,200	264,300	290,200	302,516
Market Loans	25,557	28,257	25,545	26,049
Local Authorities	264	264	229	229
Long Term Creditors	0	0	2,536	2,536
Short term borrowings	14,867	14,870	4,691	4,691
Creditors – contractual	73,608	73,608	49,089	49,089
Bank Overdraft	7,583	7,583	6,110	6,110
PFI Liability	0	0	81,309	81,309

At 31st March 2011 the fair value of the PWLB borrowings was lower than the carrying amount because the majority of the Council's portfolio of loans was at a fixed rate which was lower than the prevailing rate at the Balance Sheet date. This was no longer the case as at 31st March 2012.

The fair value of the market loans 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 prevailing rates at the Balance Sheet date.

<b>Fair Value of Assets</b>	<b>31st March 2011</b>		<b>31st March 2012</b>	
	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
Loans and Receivables:				
Cash	18,656	18,656	16,742	16,742
Deposits with banks and building societies	99,661	99,716	110,396	110,591
Accrued Interest	344	344	325	325
Deposit with Insurer	251	251	105	105
Unquoted Equity	2,813	2,813	2,813	2,813
Long Term Debtors	6,948	6,948	8,011	8,011
Debtors – contractual	39,645	39,645	22,143	22,143

The fair value of the deposits with banks and building societies is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the prevailing rates for similar deposits at the Balance Sheet date.

The Council's shareholding in Cumbria Waste Management Ltd – the shares (representing 100% of the Company's capital) are carried at cost of £2.813m and have not been valued, as a fair value cannot be measured reliably. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

**38. Nature and Extent of Risks Arising From Financial Instruments**

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with a small number of AAA and AA rated banks, Money Market Funds, other local authorities and one Building Society. These counterparties were chosen, by officers, using credit rating data supplied by our treasury advisers (based on data from the three main credit rating agencies, overlaid by information about credit default insurance, were available) and also by reference to information in the quality financial press and from the financial markets.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31st March 2012 that was likely to crystallise.

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**38. Nature and Extent of Risks Arising From Financial Instruments continued**

*Debtors*

The table below analyses the age of the outstanding debt within the Accounts Receivable system for those debtors that are classed as financial instruments. The Council generally allows 30 days credit for customers, such that £3.164m (£2.666m 2010/11) of the £4.713m (£8.161m 2010/11) balance is past its due date for payment. This analysis does not include all contractual debtors. The Council also has £13.830m and £1.792m owed by individuals in respect of outstanding residential and non residential care charges (RAS and NAS). Of this debt £6.096m (2010/11 £4.969m) is considered as long term debt, as it is either secured by a charge on property or on deferred payment agreements.

*Analysis of Accounts Receivable Debt*

Age of Debt	31st March 2011 £000	31st March 2012 £000
Less than one month	5,496	1,549
One to two months	464	1,491
Two to six months	799	656
Six months to one year	744	264
More than one year	658	752
<b>Total</b>	<b>8,161</b>	<b>4,713</b>

The bad debt provision for the Council is calculated depending on the length of time that the debt has been outstanding and the type of debt. The bad debt provision that relates to financial instruments as at 31st March is analysed below:

Provision	31st March 2011 £000	31st March 2012 £000
Central Bad Debt Provision	736	1,285
RAS and NAS	1,485	1,929
<b>Total</b>	<b>2,221</b>	<b>3,214</b>

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that more than 10% of its borrowing does not mature for repayment in any one year to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. This is managed through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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**38. Nature and Extent of Risks Arising From Financial Instruments continued**

Liquidity Risk continued

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of long term loans is as follows:

*Analysis of maturity of long term loans*

<b>Loan Principal outstanding</b>	<b>On 31st March 2011 £000</b>	<b>On 31st March 2012 £000</b>
Public Works Loans Board	290,200	290,200
Market debt	25,557	25,545
Temporary borrowing	0	0
Deferred purchase	0	0
Other	264	229
<b>Total</b>	<b>316,021</b>	<b>315,974</b>
Between 1 and 2 years	264	229
Between 2 and 5 years	13,000	20,500
Between 5 and 10 years	45,000	37,500
More than 10 years	257,757	257,745
<b>Total</b>	<b>316,021</b>	<b>315,974</b>

In the more than 10 years category there are £24m of LOBOs which have a call date in the next 12 months. The LOBOs are unlikely to be called as the rate being charged is higher than the current prevailing rate.



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**38. Nature and Extent of Risks Arising From Financial Instruments continued**

Liquidity Risk continued

The maturity analysis of investments is as follows:

*Maturity analysis of investments*

<b>Investments Principal</b>	<b>On 31st March 2011 £000</b>	<b>On 31st March 2012 £000</b>
Business Reserve Instant Access	18,444	15,300
Fixed Term Deposits	43,000	66,000
Money Market Funds	38,468	29,096
<b>Total</b>	<b>99,912</b>	<b>110,396</b>
Less than 1 year	99,912	110,396
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More than 10 years	0	0
<b>Total</b>	<b>99,912</b>	<b>110,396</b>

**Market Risk**

*Interest Rate Risk*

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.
- However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

**38. Nature and Extent of Risks Arising From Financial Instruments continued**

*Interest Rate Risk continued*

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will 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 treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during 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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a net increase in investment income of £1.3m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.24m, as the average rate of interest on investments is currently below 1%.

*Price Risk*

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

*Foreign Exchange Risk*

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**39. Cash and Cash Equivalents**

<b>31st March 2011 £000</b>	<b>Cash and Cash Equivalents</b>	<b>31st March 2012 £000</b>
0	Cash held by the Council	0
18,657	Bank Current Accounts	16,847
56,661	Short Term Deposits	44,444
<b>75,318</b>	<b>Total Cash and Cash Equivalents</b>	<b>61,291</b>

The balance on the Council's main bank accounts at 31<sup>st</sup> March 2012 was £6.110m (2010/11 £7.583m) overdrawn, which is shown separately on the Balance Sheet in Current Liabilities. The balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £16.847m (2010/11 £18.657m) in hand and are included as cash and cash equivalents in Current Assets. Short term deposits totalling £44.444m (2010/11 £56.661m) are funds invested by the Council in money market funds or business reserve accounts and are available on demand. On a daily basis the Council's Treasury Management function actively manages the cleared bank balance as close to zero as possible to maximise interest receipts and minimise interest payments.

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**40. Short Term Creditors**

An analysis of amounts owed by the Council at 31<sup>st</sup> March 2012 is:

<b>31st March 2011 £000</b>	<b>Creditors and Accruals:</b>	<b>31st March 2012 £000</b>
6,979	Central Government bodies	7,010
6,512	Other Local Authorities	3,685
1,795	NHS Bodies	900
4	Public Corporations and Trading Funds	1,245
74,519	Other Entities and Individuals	62,394
<b>89,809</b>		<b>75,234</b>

The decrease in short term creditors is due to:

<b>BREAKDOWN OF LARGE VARIANCES</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>Variance £000</b>
Employee Leave Accrual	12,994	10,527	(2,467)
Schools converted to academy status	3,702	0	(3,702)
Accounts Payable Creditors	6,906	2,177	(4,729)
Childrens Services Capital Creditors	6,621	2,970	(3,651)
Other short term creditors	59,586	59,560	(26)
<b>Total</b>	<b>89,809</b>	<b>75,234</b>	<b>(14,575)</b>

**41. Revenue Grants Receipts in Advance**

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

<b>31st March 2011 £000</b>	<b>Revenue Grants Receipts in Advance</b>	<b>31st March 2012 £000</b>
6,230	DfT Winter Damages Grant	0
10,389	Standards Fund	0
0	NHS Support for Social Care	5,320
0	University of Cumbria Energy Coast Campus	925
4,219	Other grants	4,304
<b>20,838</b>	<b>Total Revenue Grants Receipts in Advance</b>	<b>10,549</b>

**42. Provisions**

*Insurance*

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance, the funds set aside have been segregated into two elements – a provision and a reserve. The insurance provision represents the sum estimated to meet claims identified and also claims incurred but not reported at 31<sup>st</sup> March 2012.

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**42. Provisions continued**

*Insurance continued*

The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'. The balance of funding is held in an insurance reserve (note 45) to support the on-going self-insurance programme for the period to 31<sup>st</sup> March 2012.

*Equal Pay*

As at 31st March 2012 a provision of £2.224m remained for costs arising from Equal Pay Phase 2 (covering staff in schools). These claims have still not progressed. During 2011/12 a further £0.682m was paid to Phase 1 claimants, leaving a remaining provision balance of £0.295m at 31st March 2012 for Phase 1 claims.

*Voluntary Redundancies*

In 2010/11 the Council introduced a voluntary redundancy programme as part of the Council's budget strategy for 2011/12. A provision of £6.665m was established funded through a transfer from the Equal Pay and Modernisation Reserve in respect of those staff whose application to be considered for voluntary redundancy had been accepted at 31<sup>st</sup> March 2011, but whose employment with the Council came to an end after 1<sup>st</sup> April 2011. This provision was fully utilised in 2011/12. Further provisions were made in 2011/12 for redundancies that had been agreed but the individual's employment ended after 31<sup>st</sup> March.

*Retained Firefighters prevention of less favourable treatment*

A National Employment Tribunal involving Fire and Rescue Services in respect of part-time workers (prevention of less favourable treatment regulations) terms and conditions (the 'Grey Book') is continuing. Two test cases were identified in 2001 and legal proceedings commenced. A settlement agreement has been reached in principle with the Fire Brigades Union and the National Joint Council for Local Council Fire and Rescue Services in respect of basic entitlements but the negotiations upon final settlement are continuing. A provision has been made in the accounts, and the settlement has been funded from the Equal Pay and Modernisation Reserve.

Provisions	Balance at 31st March 2011 £000	Additional Provisions Made in 2011/12 £000	Amounts used in 2011/12 £000	Balance at 31st March 2012 £000
<u>Long term provisions</u>				
Insurance – employers & public liability	3,833	334	0	4,167
Equal Pay – phase 2	2,224	0	0	2,224
<b>Total</b>	<b>6,057</b>	<b>334</b>	<b>0</b>	<b>6,391</b>
<u>Short term provisions</u>				
Insurance – motor and fire	199	204	0	403
Equal Pay – phase 1	977	0	(682)	295
Equal Pay – Retained Firefighters	282	0	0	282
Voluntary redundancies	6,665	444	(6,665)	444
<b>Total</b>	<b>8,123</b>	<b>648</b>	<b>(7,347)</b>	<b>1,424</b>

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**43. Capital Grants Receipts in Advance**

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

<b>31st March 2011 £000</b>	<b>Capital Grants Receipts in Advance</b>	<b>31st March 2012 £000</b>
	<b>Education and Children's Services</b>	
11,081	Partnerships for Schools – Academies Grant	7,943
6,281	Capital Modernisation	1,851
5,510	Primary Capital Programme	0
3,965	Devolved Formula Capital	1,424
3,447	14-19 Diploma	722
1,932	Exceptional Capital Investment (Flood)	686
0	Basic Need	4,348
0	Capital Maintenance	9,164
5,336	Other Children's Grants	2,800
	<b>Highways and Transport Services</b>	
2,539	Flooding Recovery	2,353
2,930	Other Transport grants and contributions	2,029
1,557	Other Services	2,851
<b>44,578</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>36,171</b>

**44. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and are summarised in the table below:

<b>31st March 2011 £000</b>	<b>Usable Reserves</b>	<b>31st March 2012 £000</b>
14,867	General Fund Balance	15,756
63,727	Earmarked Reserves	82,940
5,331	Earmarked Capital Reserves	5,321
828	Capital Receipts Reserve	5,781
388	Capital Grants Unapplied Account	1,183
2,813	Long Term Investment Reserve	2,813
<b>87,954</b>	<b>Total Usable Reserves</b>	<b>113,794</b>

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**44. Usable Reserves**

**44.1 Usable Capital Receipts Reserve**

These are receipts from the sale of assets, which have not been used either to fund capital expenditure or to repay debt.

<b>31st March 2011 £000</b>	<b>Usable Capital Receipts</b>	<b>31st March 2012 £000</b>
193	Balance at 1st April 2011	828
2,478	Sale of assets	5,232
2,671		6,060
(1,843)	Used to finance capital expenditure	(223)
0	Used to finance disposal costs	(56)
<b>828</b>	<b>Balance at 31<sup>st</sup> March 2012</b>	<b>5,781</b>

**44.2 Capital Grants and Contributions Unapplied Reserve**

Where capital grants and contributions have been received, and there are no conditions i.e. no possibility or requirement to pay back the grant, then, irrespective of which year the money is for it must be recorded in the Comprehensive Income & Expenditure Statement as income and then in the Movement In Reserves Statement be transferred to the Grants and Contributions Unapplied Reserve.

<b>31st March 2011 £000</b>	<b>Capital Grants and Contributions Unapplied Reserve</b>	<b>31st March 2012 £000</b>
0	Balance at 1st April 2011	388
0	Utilised in Year	(388)
388	Grants and Contributions unapplied in year	1,183
<b>388</b>	<b>Balance at 31<sup>st</sup> March 2012</b>	<b>1,183</b>

**44.3 Long Term Investment Reserve**

This reserve has been in existence since 1993 when the investment in Cumbria Waste Management Ltd was brought on to the Council's balance sheet.

<b>31st March 2011 £000</b>	<b>Long Term Investment Reserve</b>	<b>31st March 2012 £000</b>
2,813	Long Term investment Reserve	2,813

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**45. Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and transferred to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

<b>Earmarked Reserves</b>	<b>Balance at 31st March 2011 £000</b>	<b>Transfers Out 2011/12 £000</b>	<b>Transfers In 2011/12 £000</b>	<b>Transfer Between Reserves £000</b>	<b>Balance at 31st March 2012 £000</b>
<b>Directorates:</b>					
Adult and Local Services	0	0	1,047	0	1,047
Environment	6,153	(3,049)	144	(2,610)	638
Safer & Stronger Communities	554	(294)	0	0	260
Local Committees	605	(605)	1,412	0	1,412
Resources	410	(67)	2,830	0	3,173
Chief Executive	0	0	198	0	198
Children's Services – HQ budgets	112	(52)	780	0	840
Community Development & Adult Education Centres	(24)	(162)	324	0	138
Improvement and Efficiency Reserve	435	(580)	885	0	740
Elections	186	0	119	0	305
Sea Fisheries Boat Replacement	706	0	103	0	809
Other Services	1,289	(276)	1,595	0	2,608
Equal Pay & Modernisation	31,542	(6,327)	311	0	25,526
Revenue Grants	17,003	(2,836)	10,896	2,610	27,673
	<b>58,971</b>	<b>(14,248)</b>	<b>20,644</b>	<b>0</b>	<b>65,367</b>
Insurance	4,402	(946)	1,063	0	4,519
<b>Delegated Schools Budgets and Ring Fenced Schools Related:</b>					
Schools	1,727	(4,421)	8,210	0	5,516
Children's services - DSG ring-fenced to schools	(1,373)	(344)	9,255	0	7,538
	<b>354</b>	<b>(4,765)</b>	<b>17,465</b>	<b>0</b>	<b>13,054</b>
<b>Total Revenue Earmarked Reserves</b>	<b>63,727</b>	<b>(19,959)</b>	<b>39,172</b>	<b>0</b>	<b>82,940</b>
<b>Revenue Reserves to be used for Capital Purposes</b>					
Capital Reserve - Earmarked	4,433	0	0	(3,050)	1,383
Capital Reserves – General	898	(10)	0	3,050	3,938
<b>Total Revenue Reserves for Capital Purposes</b>	<b>5,331</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>5,321</b>
<b>Total Revenue Earmarked Reserves</b>	<b>69,058</b>	<b>(19,969)</b>	<b>39,172</b>	<b>0</b>	<b>88,261</b>

*Directorates*

The Council has a long-established practice of allowing over and under spending on approved budgets within Directorates to be carried forward to the following financial year on a targeted basis to meet specific objectives. Although these balances are, provisionally, earmarked to the Services concerned, they form part of the Council's overall revenue balances and can be used by the Council for any other purpose, should they so choose.

**45. Transfers to/from Earmarked Reserves continued**

*Equal Pay/Single Status/Modernisation Reserve*

Over a number of years the Council has set aside funds to meet the cost of both Equal Pay claims and the implementation of Single Status. At 1<sup>st</sup> April 2011 the balance on this reserve was £31.542m.

As a result of the future funding situation facing the Council, it decided to implement a voluntary redundancy scheme in November 2010, to assist in delivering the savings required following the Comprehensive Spending Review. The cost of redundancies has been met from this Reserve. In 2011/12 the Council has drawn down £3.036m (2010/11 £7.023m) from the reserve in respect of redundancies.

Single Status was implemented on 30<sup>th</sup> September 2011. This included pay protection for 12 months for those staff whose salary decreased as a result. The cost of pay protection in 2011/12 (£1.792m) was met from this Reserve and was transferred to service budgets to support salary expenditure recorded as part of the Comprehensive Income and Expenditure Statement.

A further drawdown on the reserve was for £1.5m to fund the continuing costs of the Single Status/Equal Pay project in the year.

*Revenue Grants*

Where revenue grants have been received, and there are no conditions i.e. no possibility or requirement to pay back the grant, then, irrespective of which year the money is for it must be recorded in the Comprehensive Income & Expenditure Statement as income and then in the Movement In Reserves Statement be transferred to an earmarked reserve. The balance at 31<sup>st</sup> March 2012 includes £4.699m Performance Reward Grant to be spent in conjunction with partners, and the PFI grant to support the Carlisle Northern Development Route of £19.631m.

*Insurance*

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance; the funds set aside have been segregated into two elements – a provision and a reserve. The insurance provision (note 42) represents the sum estimated to meet claims identified at 31<sup>st</sup> March 2012. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'. The balance of funding is held in an insurance reserve to support the on-going self-insurance programme.



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**45. Transfers to/from Earmarked Reserves continued**

*Schools*

Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1st April 1990. The total budget available to governors is based on a local formula approved by the Secretary of State for Education. Any over or under spending by the governors is carried forward to the following year. Whilst such sums form part of the Council's revenue balances, they are not available to the Council when managing the finances of the Council. Delegated Funds surpluses and deficits for Schools at 31<sup>st</sup> March are as shown below.

**45.1 Schools Earmarked Reserves**

Schools Earmarked Reserves	31st March 2011		31st March 2012	
	No.	£000	No.	£000
Schools in surplus	207	9,793	231	10,390
Schools in deficit	111	(8,066)	66	(4,874)
	<b>318</b>	<b>1,727</b>	<b>297</b>	<b>5,516</b>
Children's services - DSG ring-fenced to schools		(1,373)		7,538
<b>Total</b>		<b>354</b>		<b>13,054</b>

**46. Unusable Reserves**

1st April 2010 Restated £000	31st March 2011 Restated £000	Unusable Reserves	31st March 2012 £000
171,428	157,087	Revaluation Reserve	146,824
501,402	494,175	Capital Adjustment Account	514,165
544	134	Deferred Capital Receipts	134
(631,973)	(457,340)	Pensions Reserve	(513,534)
(588)	(588)	Financial Instruments Adjustment Account	(545)
159	1,016	Collection Fund Adjustment Account	1,535
(9,128)	(12,994)	Accumulated Absences Adjustments Account	(10,299)
<b>31,844</b>	<b>181,490</b>	<b>Total Unusable Reserves</b>	<b>138,279</b>

**46.1 Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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**46. Unusable Reserves continued**

**46.1 Revaluation Reserve continued**

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

**Movement on Revaluation Reserve**

<b>1st April 2010 Restated £000</b>	<b>31st March 2011 Restated £000</b>	<b>Revaluation Reserve</b>	<b>31st March 2012 £000</b>
124,687	171,428	Balance as at 1st April 2011	157,087
385	0	Heritage Assets	0
(3,205)	0	Change of treatment of assets from financing to operating leases	0
980	0	Revaluation gains/(losses) on non current assets	0
(425)	0	Investment Properties	0
(118)	0	Difference between current value and historic cost depreciation on revalued assets	0
(326)	0	Adjustments to 2008/09	0
54,963	(7,875)	Revaluation gains / (losses) on non current assets	10,655
(2,594)	0	Impairments on non current assets	0
(2,333)	(3,340)	Difference between current value and historic cost depreciation on revalued assets	(3,001)
(586)	(3,126)	Write off revaluation gains previously recognised on non current assets now disposed	(17,918)
<b>171,428</b>	<b>157,087</b>	<b>Balance at 31st March 2012</b>	<b>146,823</b>

**46.2 Capital Adjustment Account**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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**46. Unusable Reserves continued**  
**46.2 Capital Adjustment Account continued**

**Movement on the Capital Adjustment Account**

<b>31st March 2011 £000</b>	<b>Capital Adjustment Account</b>	<b>31st March 2012 £000</b>
501,402	<b>Balance at 1st April 2011</b>	494,175
(26,287)	Charge for depreciation of non current assets	(27,539)
(3,686)	Amortisation of intangible assets	(3,729)
(114)	Impairment of non current assets	0
(47,895)	Revaluation gains / (losses) on non current assets	(22,746)
(27,388)	Revenue Expenditure Funded From Capital Under Statute	(13,794)
(32,867)	Amounts of non current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(61,324)
514	Donated assets	0
3,340	Difference between current value and historic depreciation on revalued assets	3,001
3,126	Write off revaluation gains previously recognised on non current assets now disposed	17,918
21,017	Statutory provision for the financing of capital investment charged against the General Fund	27,269
1,842	Use of capital receipts to finance new capital expenditure	223
70,212	Capital grants and contributions on non current assets credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	77,812
0	Capital grants unapplied – applied to capital financing	388
23,268	Capital grants and contributions on revenue expenditure funded from capital under statute credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,794
7,691	Capital expenditure charged against the General Fund	8,977
	2010/11 Adjustments	(260)
<b>494,175</b>	<b>Balance at 31st March 2012</b>	<b>514,165</b>

**46.3 Deferred Capital Receipts**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>31st March 2011 £000</b>	<b>Deferred Capital Receipts</b>	<b>31st March 2012 £000</b>
544	Balance at 1st April 2011	134
(410)	Capital Receipts applied to capital expenditure	0
<b>134</b>	<b>Balance at 31st March 2012</b>	<b>134</b>

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**46. Unusable Reserves continued**

**46.4 Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

**Pensions Reserve Movement**

<b>31st March 2011 £000</b>	<b>Pensions Reserve</b>	<b>31st March 2012 £000</b>
<b>(631,973)</b>	<b>Balance at 1st April 2011</b>	<b>(457,340)</b>
40,715	Employers Contributions	40,823
(36,055)	Current Service Cost	(29,073)
75,185	Past Service (Cost) or Gain	(740)
(492)	Curtailments	(4,958)
0	Settlements	10,795
0	Business Combinations	(3,807)
(73,287)	Interest on Liabilities	(68,550)
110,877	Actuarial Gains or (Losses) on Liabilities	(40,121)
41,485	Expected Return on Assets	48,537
16,205	Actuarial Gains or (Losses) on Assets	(9,100)
<b>(457,340)</b>	<b>Balance at 31st March 2012</b>	<b>(513,534)</b>

**46.5 Financial Instruments Adjustment Account**

The Financial Instrument Adjustments Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

<b>31st March 2011 £000</b>	<b>Financial Instruments Adjustment Account</b>	<b>31st March 2012 £000</b>
(588)	LOBOs adjustment to amortised cost	(588)
0	In year adjustment	43
<b>(588)</b>	<b>Balance at 31st March 2012</b>	<b>(545)</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**46. Unusable Reserves continued**

**46.6 Collection Fund Adjustment Account**

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

<b>31st March 2011 £000</b>	<b>Collection Fund Adjustment Account</b>	<b>31st March 2012 £000</b>
159	Balance at 1st April 2011	1,016
857	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	519
<b>1,016</b>	<b>Balance at 31st March 2012</b>	<b>1,535</b>

**46.7 Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>31st March 2011 £000</b>	<b>Accumulated Absences Account</b>	<b>31st March 2012 £000</b>
(9,128)	Balance at 1 <sup>st</sup> April 2011	(12,994)
9,128	Settlement or cancellation of accrual made at the end of the preceding year	12,994
(12,994)	Amounts accrued at the end of the current year	(10,299)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>(12,994)</b>	<b>Balance at 31st March 2012</b>	<b>(10,299)</b>

**47. Pension Schemes Accounted for as Defined Contribution Schemes**

*Teachers*

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2011/12, the Council paid £17.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £20.9m and 14.1%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48. Additional and discretionary pensions paid to retired teachers by the County Council totalled £3.3m in 2011/12 and 2010/11.

*Firefighters Pension Scheme*

The Fire and Rescue Service has two pension schemes (1992 and 2006 schemes), which are both unfunded, meaning that there are no investment assets built up to meet the pension liabilities. Finance is only required to be raised to cover Firefighters pensions when the pensions are actually paid. The Department of Communities and Local Government provide a top-up grant to meet the gap between pensions paid and contributions from employees and employers collected. Under the 1992 Scheme benefits paid, including lump sums, were £6.2m. Employee contributions were £0.793m (11%) and employer contributions were £1.519m which equated to 21.3% of pensionable pay. Under the 2006 Scheme there were benefits of £0.017m paid. Employee contributions were £0.152m (8.5%) and employer contributions were £0.197m which equated to 11% of pensionable pay.

**48. Defined Benefit Pension Schemes**

*Participation in Pensions Schemes*

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The majority of the Council's staff belongs to Cumbria Local Government Pension Scheme. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets over a period of 19 years. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary.

The contribution rates are based upon a triennial actuarial review of the fund. As part of the 2010 valuation the Council chose to split the deficit between past service and current service elements and to recover the deficit over 19 years. Each element has a different contribution rate:

- Current service cost – 12.9% of pensionable pay
- Past service cost – a lump sum of £7.587m

Non ill-health early retirements

Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the actuary). The Council, in agreement with the Actuary, opted, from 1<sup>st</sup> April 2011, to make an additional employer contribution of 0.5%. The additional employer contribution is to be used to offset the one-off costs of workforce restructuring to be undertaken in response to reductions in annual budgets. It is anticipated that this period of workforce reduction and restructuring will continue in the medium term.

The total of employers' contributions to the scheme in 2011/12 was £28.016m (2010/11 £29.4m). For the Council this represents 12.9% of pensionable pay plus a lump sum payment of £7.587m, however the schools pay an employers contribution rate of 19.0%.

*Transactions Relating to Post-employment Benefits*

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**48. Defined Benefit Pension Schemes continued**

**48.1 Transactions Relating to Retirement Benefits**

	LGPS		Firefighters		Teachers		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>								
<b>Cost of Services:</b>								
Current Service Cost	(30,745)	(26,009)	(5,310)	(3,064)	0	0	(36,055)	(29,073)
Past Service Cost	(646)	(740)	0	0	0	0	(646)	(740)
Past Service Gain	61,239	0	12,300	0	2,292	0	75,831	0
Curtailments	(492)	(4,958)	0	0	0	0	(492)	(4,958)
Settlements	0	10,795	0	0	0	0	0	10,795
Business Combinations	0	(3,807)	0	0	0	0	0	(3,807)
<b>Financing and Investment Income &amp; Expenditure</b>								
Interest Cost	(60,445)	(58,017)	(10,614)	(8,499)	(2,228)	(2,034)	(73,287)	(68,550)
Expected Return on Scheme Assets	41,485	48,537	0	0	0	0	41,485	48,537
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>10,396</b>	<b>(34,199)</b>	<b>(3,624)</b>	<b>(11,563)</b>	<b>64</b>	<b>(2,034)</b>	<b>6,836</b>	<b>(47,796)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>								
Actuarial Gains and (Losses)	98,770	(47,905)	28,821	0	(509)	(1,316)	127,082	(49,221)
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>109,166</b>	<b>(82,104)</b>	<b>25,197</b>	<b>(11,563)</b>	<b>(445)</b>	<b>(3,350)</b>	<b>133,918</b>	<b>(97,017)</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(10,396)	34,199	3,624	11,563	(64)	2,034	(6,836)	47,796
<b>Actual Amount Charged against the General Fund Balance for pensions in the year</b>								
Employers' Contributions Payable to the Scheme	(32,416)	(31,765)	(5,022)	(5,753)				
Retirement Benefits Payable to Pensioners					(3,277)	(3,305)		
Total Employers Contributions and Retirement Benefits Payable							(40,715)	(40,823)

**48.2 Cumulative Actuarial Gains and Losses**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of £40.343m (2010/11 cumulative gain £8.878m).

Summary of Actuarial Gains/(Losses)	£000
2006/07	55,381
2007/08	(39,878)
2008/09	59,974
2009/10	(193,681)
2010/11	127,082
2011/12	(49,221)
	<b>(40,343)</b>



**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**48. Defined Benefit Pension Schemes continued**

*Assets and Liabilities in Relation to Post-employment Benefits*

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

**48.3 Reconciliation of Present Value of Scheme Liabilities**

	LGPS		Firefighters		Teachers		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Opening Balance at 1st April	(1,076,206)	(1,000,317)	(186,077)	(155,858)	(42,147)	(39,315)	(1,304,430)	(1,195,490)
Current Service Cost	(30,745)	(26,009)	(5,310)	(3,064)	0	0	(36,055)	(29,073)
Interest Cost	(60,445)	(58,017)	(10,614)	(8,499)	(2,228)	(2,034)	(73,287)	(68,550)
Contributions by Scheme Participants	(10,017)	(9,087)	(1,006)	(868)	0	0	(11,023)	(9,955)
Actuarial Gains and (Losses)	82,565	(38,805)	28,821	0	(509)	(1,316)	110,877	(40,121)
Benefits Paid	34,430	44,272	6,028	6,621	3,277	3,305	43,735	54,198
Past Service Cost	(646)	(740)					(646)	(740)
Past Service Gains	61,239	0	12,300	0	2,292	0	75,831	0
Curtailments	(492)	(4,958)	0	0	0	0	(492)	(4,958)
Settlements	0	16,666	0	0	0	0	0	16,666
Business Combinations	0	(68,348)	0	0	0	0	0	(68,348)
	<b>(1,000,317)</b>	<b>(1,145,343)</b>	<b>(155,858)</b>	<b>(161,668)</b>	<b>(39,315)</b>	<b>(39,360)</b>	<b>(1,195,490)</b>	<b>(1,346,371)</b>

An explanation of the elements in the table above is set out below:

The change in the net pensions liability is analysed into nine components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- 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 Comprehensive Income and Expenditure Statement.
- Contributions paid to the various schemes – cash paid as employer's contributions to the pension funds.
- 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.

**48. Defined Benefit Pension Schemes continued**

- 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 Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Past service gain - In 2010/11 the change from using RPI to CPI resulted in a significant past service gain (£75.831m) which was disclosed separately as an Exceptional Item in the Cost of Services in the Comprehensive Income and Expenditure Statement. Further information is in note 6.
- 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 Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- gains/losses on settlements – the result of actions to relieve the Council of liabilities or events (such as the transfer of staff to schools converting to academy status) that reduce the expected future service or accrual of benefits of employees – debited/credited to the Cost of Services in the Comprehensive Income and Expenditure Statement as an Exceptional Item.
- Gains/losses business combinations – this reflects the closure of the contract with Capita and the transferring of responsibility of the pension assets and liabilities to the Council - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as an Exceptional Item.

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 Movement on Reserves Statement 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 the year end.

The actual return on scheme assets in the year was a gain of £39.436m (2010/11 gain of £52.358m).

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**48. Defined Benefit Pension Schemes continued**

**48.4 - Reconciliation of fair value of the LGPS scheme assets**

	2010/11 £000	2011/12 £000
Opening Balance at 1st April	672,457	738,150
Expected Rate of Return	41,485	48,537
Actuarial Gains and Losses	16,205	(9,100)
Settlements	0	(5,871)
Business Combinations	0	64,541
Employer Contributions	32,416	31,765
Contributions by Scheme Participants	10,017	9,087
Benefits Paid	(34,430)	(44,272)
<b>Closing Balance at 31st March</b>	<b>738,150</b>	<b>832,837</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

**48.5 Scheme History**

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
<u>Present value of liabilities</u>					
Local Government Pension Scheme	(901,870)	(772,265)	(1,076,206)	(1,000,317)	(1,145,343)
Firefighters Pension Scheme	(136,150)	(128,700)	(186,077)	(155,858)	(161,668)
Teachers	(42,847)	(36,420)	(42,147)	(39,315)	(39,360)
<u>Fair value of assets</u>					
Local Government Pension Scheme	621,825	516,128	672,457	738,150	832,837
<u>Surplus/Deficit in the scheme</u>					
Local Government Pension Scheme	(280,045)	(256,137)	(403,749)	(262,167)	(312,506)
Firefighters Pension Scheme	(136,150)	(128,700)	(186,077)	(155,858)	(161,668)
Teachers	(42,847)	(36,420)	(42,147)	(39,315)	(39,360)
	<b>(459,042)</b>	<b>(421,257)</b>	<b>(631,973)</b>	<b>(457,340)</b>	<b>(513,534)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £513.534m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net worth of £252.073m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The pension contributions expected to be made by the Council in the year to 31st March 2013 are:

- Local Government Pension Scheme £32.465m
- Teachers Discretionary Benefits Scheme £3.305m
- Firefighters Pension Scheme £5.698m

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**48. Defined Benefit Pension Schemes continued**

***Basis for Estimating Assets and Liabilities***

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2010. The principal assumptions used by the actuary have been:

**48.6– Actuary's assumptions**

	LGPS		Firefighters Scheme		Teachers	
	31st March 2011	31st March 2012	31st March 2011	31st March 2012	31st March 2011	31st March 2012
Long term expected rate of return on assets in the scheme:						
Equity Investments	7.5%	7.0%	-	-	-	-
Government Bonds	4.4%	3.1%	-	-	-	-
Bonds	5.1%	4.1%	-	-	-	-
Property	6.5%	6.0%	-	-	-	-
Cash/Liquidity	0.5%	0.5%	-	-	-	-
Other	7.5%	7.0%	-	-	-	-
Mortality Assumptions:						
Longevity at 60 for current pensioners:						
Men	-	-	26.8	26.9	-	-
Women	-	-	29.1	29.1	-	-
Longevity at 60 for future pensioners:						
Men	-	-	28.4	28.5	-	-
Women	-	-	30.7	30.8	-	-
Longevity at 65 for current pensioners:						
Men	21.8	21.8	-	-	21.8	21.8
Women	24.4	24.5	-	-	24.4	24.5
Longevity at 65 for future pensioners:						
Men	23.2	23.2	-	-	23.2	23.2
Women	26.0	26.0	-	-	26.0	26.0
Rate of RPI inflation	3.4%	-	3.5%	-	3.3%	-
Rate of CPI inflation	2.9%	2.5%	3.0%	2.6%	2.8%	2.3%
Rate of increase in salaries	4.65%*	4.3%*	4.5%*	4.1%	-	-
Rate of increase in pensions	2.9%	2.5%	3.0%	2.6%	2.8%	2.3%
Rate for discounting scheme liabilities	5.5%	4.9%	5.5%	5.1%	5.4%	4.6%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%		

Note\* - Includes an allowance for short term public sector pay restraint as announced by the Government.

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

This has the effect of reducing the Council's liabilities as follows:

- Local Government Pension Scheme by £60.593m.
- Firefighters Pension Scheme £12.300m
- Teachers Pension Scheme £2.292m

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**48. Defined Benefit Pension Schemes continued**

These have been recognised as past service gains – shown as an exceptional item (see note 6) for 2010/11 in the Comprehensive Income and Expenditure Statement - in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund Balance.

The firefighters and teachers pension schemes have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

**48.7 LGPS Assets**

The LGPS funds are held in the following categories of investments:

	<b>31st March 2011 %</b>	<b>31st March 2012 %</b>
Equity Investments	51.6%	51.6%
Government Bonds	18.0%	16.0%
Other Bonds	14.0%	16.0%
Property	6.1%	6.4%
Cash/Liquidity	1.6%	1.6%
Other Assets	8.7%	8.4%
	<b>100.0%</b>	<b>100.0%</b>

**48.8 History of Experience Gains and Losses**

The actuarial experience gains (or losses) identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	<b>2007/08 %</b>	<b>2008/09 %</b>	<b>2009/10 %</b>	<b>2010/11 %</b>	<b>2011/12 %</b>
<u>LGPS</u>					
Differences between the expected and actual return on assets	6.1%	(29.9%)	17.0%	2.2%	1.10%
Experience gains and losses on liabilities	1.1%	0%	0%	3.5%	0%
<u>Firefighters 1992 Pension Scheme</u>					
Experience gains and losses on liabilities	2.58%	(0.8%)	0%	4.9%	0%
<u>Firefighters 2006 Pension Scheme</u>					
Experience gains and losses on liabilities	(1.35%)	52.3%	0%	43.2%	0%
<u>Teachers</u>					
Experience gains and losses on liabilities	2.0%	0%	0%	0.5	0%

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**49. Cash Flow Statement**

**49.1 Adjust Net Surplus / (Deficit) for non cash movements**

2010/11 Restated £000		2011/12 £000
45,711	Net Surplus / (Deficit) on the Provision of Services	21,412
	<u>Adjust net surplus or (deficit) on provision of services for non cash movements</u>	
26,401	Depreciation	27,539
3,686	Amortisation	3,729
47,895	Revaluations downwards	22,746
(43)	Adjustments for effective interest rates	(47)
87	Increase/(Decrease) in Interest Creditors	(176)
1,024	Increase/(Decrease) in Creditors	(17,774)
(250)	Increase/(Decrease) in Interest and Dividend Debtors	67
3,978	(Increase)/Decrease in Debtors	12,301
(718)	(Increase)/Decrease in Inventories	(305)
(47,551)	Pension Liability	6,973
6,103	Contributions to Provisions	(6,365)
32,867	Carrying Amount of non current assets sold	61,324
<b>73,479</b>		<b>110,012</b>
	<u>Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities</u>	
(71,114)	Capital grants credited to surplus or (deficit) on the provision of services	(78,995)
(2,477)	Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(5,232)
<b>(73,591)</b>		<b>(84,227)</b>
<b>45,599</b>	<b>Net Cash Flow from Operating Activities</b>	<b>47,197</b>

**49.2 Cash Flow Statement – Operating Activities**

The cash flows from operating activities include the following items:

2010/11 Restated £000	Cash Flow Statement – Operating Activities Interest	2011/12 £000
(596)	Interest Received	(1,512)
14,714	Interest Paid	17,210
(1,045)	Dividends Received	(3,045)
<b>13,073</b>		<b>12,653</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**49. Cash Flow Statement continued**

**49.3 Cash Flow Statement – Cash Flows from Investing Activities**

<b>2010/11 restated £000</b>		<b>2011/12 £000</b>
	<b>Cash Flows from Investing Activities</b>	
(102,972)	Property, Plant and Equipment Purchased	(99,486)
(110,975)	Purchase of Short Term Investments	(386,400)
2,477	Proceeds from sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	5,232
104,124	Proceeds from Short Term Investments	363,651
76,402	Other Investing Activities	79,125
<b>(30,944)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(37,878)</b>

**49.4 Cash Flow Statement – Cash Flows from Financing Activities**

<b>2010/11 restated £000</b>		<b>2011/12 £000</b>
	<b>Cash Flows from Financing Activities</b>	
30,000	Cash Receipts of Short and Long Term Borrowings	(10,000)
(857)	Appropriation to/from Collection Fund Adjustment Account	(519)
0	Payments for the Reduction of a PFI Liability	(5,727)
(5,884)	Payments for the Reduction of a Finance Lease Liability	(5,627)
<b>23,259</b>	<b>Net Cash Flow from Financing Activities</b>	<b>(21,873)</b>

**49.5 Cash Flow Statement – Cash and Cash Equivalents**

<b>2010/11 Restated £000</b>		<b>2011/12 £000</b>
	<b>Cash and Cash Equivalents</b>	
18,657	Cash and bank balances	16,847
56,661	Cash Investments (cash equivalents)	44,444
(7,583)	Bank Overdraft	(6,110)
<b>67,735</b>		<b>55,181</b>

**50. Related Parties**

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

Government

The Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 4 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2012 are shown in Notes 41 and 43.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2011/12 is shown in Note 16. Members declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the Council outside of their roles as elected councillors. During 2011/12:

- Works and services to the value of £0.260m were commissioned from a company in which one member (Councillor T Markley) had an interest, there was a balance of £27,502 owed to the company at 31<sup>st</sup> March 2012. Contracts were entered into in full compliance with the council's standing orders.
- Councillor G Humes is a director of Moorclose Community Centre, the Council made payments of £9,733 during 2011/12 and there was £387 owed to the Centre at 31<sup>st</sup> March 2012.
- Councillor C Feeney-Johnson has an interest in WFS Fire and Security. During 2011/12 works and services to the value of £52,680 were commissioned from the company and a balance of £2,712 was owed to them.

A number of Members represent trusts and non profit making organisations which receive funding from the Council. The Members' Register of Interests is published on the Council's website.



**50. Related Parties continued**

Officers

The Council is required to identify any related party transactions for key management personnel within the Council. The Code defines this as all chief officers (or equivalent), chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities. The Council defines Senior Officers for the purposes of related party disclosure as Corporate Directors, Assistant Directors, Senior Managers and those staff involved in procurement that may be a position to have significant influence on decisions of awarding contracts for the procurement of goods and services. Senior Officers declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the County Council outside of their roles as employees of the Council. Works or services commissioned during the year from companies in which officers have interests:

- C Witt – Payments of £32,050 were made for services during the year and there was £17,000 owed to the company at 31<sup>st</sup> March 2012.
- A Jones – Payments of £7,580 were made for services during the year and there was £2,450 owed to the company at 31<sup>st</sup> March 2012.

Other Public Bodies

Pooled Funds

The Council has pooled budget arrangements with a number of organisations, the details of which are included in Note 15.

*North West Partnership Board*

The North West Fire and Rescue Authorities (FRAs) are continuing to work collaboratively, via the North-West Partnership Board which was set up in March 2011. This is a joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of Councillors from the five constituent authorities.

The objectives of the North West Partnership Board are as below:

- Develop the sharing of best practice from across the North West and beyond to influence future business.
- Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
- Influence the implementation of value led strategies on a localised basis.
- Provide the platform for continuing collaboration between North West Fire and Rescue Services to promote increasing value in all aspects of service delivery.
- Lobby key internal and external partners to improve fire and rescue service policies and processes.
- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**50. Related Parties continued**

*North West Partnership Board continued*

During 2011/12 transactions were made between the five FRAs the total of which are set out in the table below, together with outstanding balances at the year end. Lancashire Combined Fire Authority manages the income and expenditure on behalf of the region.

<b>Council</b>	<b>Transaction Totals Expenditure/ (Income) (£000)</b>	<b>Outstanding Balance at 31<sup>st</sup> March 2012 Creditor/ (Debtor) (£000)</b>
Lancashire	37	37
Greater Manchester	(19)	(19)
Merseyside	(9)	(9)
Cheshire	(7)	(7)
Cumbria	(2)	(2)

*NW FiReControl Limited*

NW FiReControl Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a regional control centre with the responsibility for fire and rescue service mobilisation for the North West region.

The company had five members, the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside FRAs. The liability of each member in the event of the company being wound up is limited, and shall not exceed £1. Each member of the company has the right to appoint two Directors, who are Councillors appointed to their respective FRAs. All Directors have equal voting rights.

During 2011/12 renegotiations were held for the future of the project following the closure of the National Project, which was announced by the Fire Minister in December 2011. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire FRAs. These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd, and have been successful in obtaining support from CLG to continue the project. The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two Directors, who are Councillors appointed to their respective FRAs. All Directors have equal voting rights.

During 2011/12 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government. Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new control mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**50. Related Parties continued**

*NW FiReControl Limited continued*

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, the Council has considered the requirement for the preparation of Group Accounts as a result of its relationship with NW Fire Control Limited.

It has been determined that the company would be accounted for as a jointly controlled entity for group accounts purposes within the accounts of the Council. This will be reviewed in forthcoming financial years based on the future of the company, and if there are any changes in FRA influence positions or company governance arrangements.

However, on the basis of materiality it has been determined that group accounts are not required for 2011/12, having considered both qualitative and quantitative factors, including the following:

- The Council does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual FRAs.
- The company is not operational in providing a public service and is not expected to become so until 2013/14.
- The only current trading activity of the company is the use of facilities at the building and car parking which is charged out to other FRAs and organisations.
- The Council's share of the gross administrative expenses of the company in 2011/12 (25% of £2.214m) is not material in the context of the Council's gross expenditure.
- The Council is not expected to make any contribution to the company until it commences using the company's services.
- The cost of running the company is covered by section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.
- The liability of the Council is limited to a maximum of £1.

The table below shows the key information from the financial statements of NW FireControl:

Accounts Information	Year-Ended 2011/12 £000s	Year-Ended 2010/11 £000s
Net Assets	80	69
Profits Before Taxation	27	10
Profits After Taxation	22	10
Debtor Balance (GMFRS)	21	19
Creditor Balance (GMFRS)	298	422

The Financial Statements can be obtained from Companies House, the deadline for submission is 31st December 2012 for the audited 2011/12 accounts.

**CUMBRIA COUNTY COUNCIL**  
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**50. Related Parties continued**

The position regarding group accounts will be reviewed for the 2012/13 financial year.

Entities Controlled or Significantly Influenced by the Council

One of the Council's key strategic objectives is for Cumbria to be a place that is wealthier with a sustainable and prosperous economy. Council funds are rarely available for such ventures and the Council believes that supporting worthwhile initiatives rather than making direct investments normally best serves its contribution to economic regeneration within Cumbria. This support is made in a number of ways but can include:

- Acting as the Accountable Body. The Council effectively becomes the conduit enabling available funding streams to be accessed in a more effective manner. As the Council is underwriting performance on these projects for which grants have been obtained, it is incurring a financial risk. However, without this position being taken, many sources of funding would not be available.
- Providing administrative and advisory support.
- Providing political support through the involvement of members.
- Providing technical expertise, particularly for land reclamation schemes.

In some instances, the Council has taken a direct investment in companies such as Cumbria Waste Management Ltd.

The results of Cumbria Waste Management Ltd and its subsidiaries and associate have been consolidated within the group accounts.

<b>Cumbria Waste Management Ltd</b>		
Address for copies of the published accounts	The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST	
Nature of Business	Waste disposal services	
Shareholding	100%	
Net Assets	<u>2010/11</u> £14.67m	<u>2011/12</u> £13.552m
Profit/(Loss) before Tax	£2.185m	£3.063m
Profit/(Loss) after Tax	£1.324m	£2.369m
Dividends Paid to Cumbria County Council	£1.045m	£3.4m

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**50. Related Parties continued**

The Council has considered the following organisations in which it has shareholdings and voting rights. As they are partnerships with a number of other parties with decisions covered by majority voting, where the Council is a minority partner, it is not appropriate for the Council to consolidate any of these entities in the group accounts.

<b>Entity</b>	<b>Purpose</b>	<b>Structure</b>
Furness West Cumbria New Vision Urban Regeneration Company Ltd (West Lakes Renaissance)	To promote regeneration within Furness and West Cumbria	Company limited by guarantee. It was a designated urban regeneration company with structural changes requiring the approval of the Department for Communities and Local Government. As reported last year at the 25th February 2011 board meeting it was agreed to wind up the company following the decision to abolish regional development agencies. The company is still in the process of being wound up.
Lillyhall Partnership	Operates a developed business park near Workington.	The North West Development Agency owned the properties and with its demise on 31 <sup>st</sup> March 2012 these were transferred to the Homes and Communities Agency (HCA).
West Cumbria Development Fund & West Cumbria Development Agency		Both companies are limited by guarantee with participation from the British Nuclear Group and the Allerdale and Copeland Borough Councils. The County Council's holding is 17% in West Cumbria Development Fund and 25% in West Cumbria Development Agency. In 2011 they merged with Britain's Energy Coast to form Energy Coast West Cumbria Ltd.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**50. Related Parties continued**

<b>Entity</b>	<b>Purpose</b>	<b>Structure</b>
Energy Coast West Cumbria Ltd	West Cumbria is facing significant losses of employment opportunities following the decommissioning of the Sellafield nuclear facility. This company aims to support new business initiatives and to promote economic development.	<p>In 2011 West Cumbria Development Agency, West Cumbria Development Fund and its wholly owned subsidiary Westlakes Properties were merged with Britain's Energy Coast to form Energy Coast West Cumbria Limited. The Energy Coast West Cumbria Limited Board membership comprises:</p> <p>Nuclear Decommissioning Agency – 3 nominated members (1 from Nuclear Decommissioning Authority, 1 from Nuclear Management Partners and 1 from Sellafield Limited). Cumbria County Council – 1 nominated member, Copeland Borough Council – 1 nominated member. Allerdale Borough Council – 1 nominated member. 6 Independent board members selected by Nolan Principles. One of the independent members is elected as Chair.</p>

The Council has the following direct investments in companies limited by guarantee. In previous years the results of these companies have been included in the Council's group accounts. However on the basis of materiality it has been determined that they should no longer be consolidated into the group accounts.

**Cumbria Capital Fund**

The objective of this company was to promote and encourage commercial and industrial activity and enterprise within Cumbria, primarily within the Districts of Carlisle, Eden, South Lakeland and Barrow. Cumbria County Council had 100% control. The company had net assets of £188,513 in 2010/11 and was dissolved on 17<sup>th</sup> January 2012. The assets were transferred to CART (Cumbria Asset Reinvestment Trust), and therefore there are no net assets as at 31<sup>st</sup> March 2012.

**50. Related Parties continued**

**Invest in Cumbria Ltd**

The objective of this company is to promote Cumbria and to attract new investment. The company is limited by guarantee and the Council owns 100% of the shares. The company made a loss of £44,935 (2010/11 loss £84,750) in the year to 31<sup>st</sup> March 2012 and had net assets of £112,794 (2010/11 £157,751). Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

**Traveline Cumbria Ltd**

The Council has a 49% interest in this company with the balance owned by Stagecoach Ltd. The company provides a travel enquiry call centre as part of the Council's integrated travel policy. The company made a loss of £1,999 (2010/11 profit £4,816) in the year to 31<sup>st</sup> March 2012 and had net assets of £93,245 (2010/11 £95,244). Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

**Maryport Developments Ltd**

Maryport Developments Limited (MDL) (Company Number 02094782) is a limited company incorporated in 1987. At 31<sup>st</sup> March 2011 the Council held 9.5% of the ordinary shares of the company.

Following the demise of the regional development agencies the North West Development Agency (NWDA) has been making arrangements to exit from their investment arrangements. In December 2011 Energy Coast West Cumbria (ECWC) purchased NWDA's ordinary shares and subsequently transferred an equal number to Cumbria County Council and to Allerdale Borough Council. The result is that the Council now has a 33.6% interest in this company, together with Allerdale Borough Council (33.6%) and Britain's Energy Coast West Cumbria (32.8%). The company made an operating loss of £41,586 (2010/11 loss £405,430) in the year to 31<sup>st</sup> March 2012 and had net assets of £963,228 (2010/11 net liabilities £277,576). Copies of the accounts can be obtained from Maryport Developments Ltd.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**50. Related Parties continued**

During 2011/12 the Council paid the following sums to companies in which it has an interest:

<b>Organisation</b>	<b>Grants £000</b>	<b>Commercial Transactions £000</b>	<b>Total £000</b>	<b>Debtor Outstanding £000</b>	<b>Creditor Outstanding £000</b>
Invest in Cumbria Ltd	23	23	46	0	0
Cumbria Waste Management Ltd	8	463	471	18	0
Lakeland Waste Management Ltd	0	0	0	0	0
Cumbria Waste Recycling	0	221	221	0	0
Trotters Dry Waste Ltd	0	3	3	1	0
Traveline Cumbria Ltd	0	55	55	0	0
West Cumbria Development Fund	0	0	0	0	0
Energy Coast West Cumbria Ltd	408	0	408	67	0
West Cumbria Development Agency	0	1	1	0	0
West Lakes Renaissance	0	0	0	0	0
Maryport Development Ltd	40	60	100	0	0
	<b>479</b>	<b>826</b>	<b>1,305</b>	<b>86</b>	<b>0</b>

The Council also supports numerous other schemes and ventures desired to promote economic growth with grant contributions.

**51. Events After the Balance Sheet Date**

The audited Statement of Accounts was authorised for issue by the Acting Assistant Director – Finance on 26th September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On the 12<sup>th</sup> April, 2012 the new West Lakes Academy building was handed over to the governors. The building had a balance sheet value of £37.1m at 31<sup>st</sup> March 2012. The financial statements and disclosure notes have not been adjusted for this but it is noted as relevant to the understanding of the Council's financial position.

There have been no other post balance sheet events since 31st March 2012 that need to be disclosed.



**52. Contingent Liabilities**

*Single Status and Equal Pay*

The equal pay and modernisation reserve stands at £25.526m as at 31st March 2012. The Council implemented Single Status with effect from September 2011, and costs arising from this work were a call on this reserve. Work has started on the second phase of Equal Pay and provision has been made for the 221 claims made in phase 2a. There have been 388 claims received from Teaching Assistants which have not been provided for, together with 368 miscellaneous claims and 143 new claims following the implementation of Single Status. If the Council's current reserves are insufficient to meet the final cost then any borrowing or use of capital receipts to fund these payments will be dependent on obtaining government approval to capitalise the expenditure.

*Property Lease*

An amount of £0.3m has been claimed against the Council by a social housing provider in relation to the purchase of a property. The Council disputes the existence of a contractual arrangement with the Council to lease the property and has made no provision in the accounts. The Council continues to refute any liability. No formal legal proceedings have been issued by the social housing provider in respect of the alleged claim.

*Employment Tribunal*

An amount of £0.5m has been estimated in respect of potential liabilities in relation to a number of employment tribunals (excluding equal pay) which are at varying stages in the legal process. Resolution is currently being pursued through the Tribunal process and where appropriate, ACAS, and no provision has been made in the accounts.

*Accountable Body Status*

The Council is the Accountable Body for a number of organisations. As Accountable Body, the Council underwrites that grants have been properly applied for and expended. To the extent that this is not the position, the Council is exposed, as guarantor, to grant repayments if the conditions on which grant funding was given are not met.

*Local Government Pension Scheme*

The Council is the Administering Body for the Cumbria Local Government Pension Scheme. Staff in a number of organisations in Cumbria are eligible to join this pension scheme. However, the Council would be exposed to cover pension contributions if the employing organisations for these staff were unable to pay the necessary contributions. In these cases, the Council receives appropriate indemnity bonds that are calculated by the Scheme Actuary. Nevertheless, these bonds do not necessarily fully discharge any future liabilities that could occur.

**52. Contingent Liabilities continued**

*Refuse Tips - Gas/Leachates*

No provision has been made in the accounts for any legal liability that may arise as a result of gas and leachate from old refuse tips, most of which, after restoration, have been either returned to the original owner or sold. The Council continues to monitor for landfill gas on those sites that are felt to be most at risk. This is an extremely complex exposure to compute with very uncertain timescales. It is also an issue that impacts on many other Local Authorities. Nevertheless, exposures may be considerable and may not be met from the Council's own reserves.

Cumbria Waste Management Ltd has a provision for aftercare costs post closure of the landfill sites, this currently stands at £10.302m (2010/11 £10.991m).

*Municipal Mutual Insurance Ltd*

On 30<sup>th</sup> September 1992, the Council's insurers, Municipal Mutual Insurance Ltd (MMI), announced that it had ceased taking new business or issuing renewals and had placed a moratorium on claims payments.

On 6<sup>th</sup> October 1992, MMI resumed the full payment of claims and has continued to do so since that date. MMI was only able to do this following an agreement with Local Authorities that they would underwrite their respective exposures to the extent that MMI was unable to meet the claims in full. The Council elected to participate in this Scheme of Arrangements. MMI's business was then purchased by a new insurer, Zurich Municipal, who are triple 'A' rated so far as claims payment is concerned. However, this does not guarantee claims which arose up to 31<sup>st</sup> March 1993 which will be dealt with by the MMI 'rump' company. The Council's maximum liability if MMI were unable to meet any further claims up to 31<sup>st</sup> March 1993 would be £5,219,265 (31<sup>st</sup> March 2011 £5,182,573). In the 2011 MMI Annual Report and Accounts, 'the Directors were of the view that if a positive outcome could be achieved in the Mesothelioma trigger litigation then a solvent run-off with full payment of agreed claims could be achieved. However, on 28<sup>th</sup> March 2012 the Supreme Court ruled that MMI should indemnify claims based on the date of exposure and not the date of becoming ill. This will result in some claims previously rejected by MMI having to be paid. As at 26<sup>th</sup> September 2012 the Scheme of Arrangements had not been triggered. Existing outstanding claims as at 31<sup>st</sup> March 2012 totalled £560,000 (31<sup>st</sup> March 2011 £382,660) and would be additional to the maximum exposure to future claims. The position will be reviewed in 2012/13 and if appropriate a provision will be made to meet the costs of these claims.

*Contractual Disputes*

The Council is involved in a number of disputes with contractors who have provided services to the Council. The outcome of these contractual matters cannot be determined with any certainty at this time.

**53. Contingent Assets**

There were no contingent assets at 31<sup>st</sup> March 2012 or 31<sup>st</sup> March 2011.

**CUMBRIA COUNTY COUNCIL**  
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**54. Trust Funds and Accountable Body Funds**

**54.1 Trust Funds**

The Council acts as trustee for a number of legacies by former inhabitants of Cumbria. The Council maintains the accounting records for these Trusts but they are not included in either the Council's single entity or the group accounts.

The Holehird Trust, created under the bequest of Henry Leigh Groves, includes the Holehird estate near Windermere. The balances held by the trust funds are invested in gilt-edged and equity securities in accordance with the regulations contained in the Trustee Investment Acts. The income of the trust funds is distributed in accordance with the terms of the trust deeds. Included are three trusts which have been audited by the Council's Management Audit Unit in compliance with the Charities Act 2006. The various trust funds can be broadly categorised as follows:

<b>Trust Funds</b>	<b>Balance at 31<sup>st</sup> March 2011 £000</b>	<b>Receipts £000</b>	<b>Payments £000</b>	<b>Revaluations £000</b>	<b>Balance at 31<sup>st</sup> March 2012 £000</b>
Holehird Trust	954	132	(151)	26	961
Archives Trusts	542	20	(20)	0	542
Education Trusts	446	15	(8)	0	453
Social Services Trusts	49	0	(1)	0	48
	<b>1,991</b>	<b>167</b>	<b>(180)</b>	<b>26</b>	<b>2,004</b>

**54.2 Accountable Body Funds**

The Council is the Accountable Body for a number of projects, the largest are Copeland Community Fund, Growing Places Fund and Nuclear Partners Fund. The Council maintains the accounting records for these Trusts but they are not included in either the Council's single entity or the group accounts.

**Copeland Community Fund**

The Nuclear Decommissioning Agency (NDA) established the Copeland Community Fund in January 2008 to recognise the unique role Copeland plays in hosting a low level nuclear waste storage facility on behalf of the nation.

The Council acts as Treasurer for the Fund, but it is administered by a Project Board of seven members, of which two are Cumbria County Council Councillors, Cllr AJ Markley and Cllr T Knowles, two Copeland Borough Council Councillors, two independent members and one member from the NDA. Disbursements from the Fund are considered and approved by the Project Board, in accordance with the unilateral undertaking entered into between the NDA, the County Council and Copeland Borough Council at the inception of the Fund. The Fund is to be spent on schemes and initiatives that are consistent with the NDA's socio-economic policy including employment, education and skills and economic and social infrastructure.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**54. Trust Funds and Accountable Body Funds continued**

**54.2 Accountable Body Funds continued**

Copeland Community Fund continued

The balance of the fund at 31<sup>st</sup> March 2012 is £11.517m, and the table below shows a summary of the transactions for the past two years.

Balance at 31/3/10 £000	2010/11 Receipts £000	2010/11 Payments £000	Balance at 31/3/11 £000	2011/12 Receipts £000	2011/12 Payments £000	Balance at 31/3/12 £000
11,573	1,623	(589)	12,607	137	(1,227)	11,517

Growing Places Fund

The Growing Places Fund was announced by government in November 2011. Funds were allocated using a formula based approach based on population size and employed earnings within an area covered by a Local Enterprise Partnership. Renamed locally as the Cumbria Infrastructure Fund (CIF), the total allocation for Cumbria is £6,667,772 split between Capital £6,162,467 and Revenue £505,305.

The CIF is identified to help promote the delivery of infrastructure projects needed to unlock developments that help to create jobs and homes in Cumbria. The CIF is a revolving fund, when the development is completed, and a return has been generated, the amount of money provided, should be as a minimum, paid back to allow the fund to be recycled to help further developments. The CIF is open to applications from the private sector, public sector and public/private partnerships for developments based in Cumbria. The CIF can also provide forward fund contributions to unlock development.

Cumbria County Council holds the funding as the accountable body for the CIF and the Cumbria LEP Board agree the fund priorities. Applications are scored against a number of criteria, including their strategic fit to priority outputs of job creation and building new homes as well as how quickly the CIF investment can be repaid. A Technical Panel provides technical support and advice to allow the Investment Panel to make recommendation to the Cumbria LEP Board on which applications should be funded. The Cumbria LEP Board's decision is final and there is no right of appeal.

The Technical Panel is made up of Cumbria LEP Executive Support; officers of Cumbria County Council; a consultant providing independent development appraisal advice and a representative from the Home and Communities Agency.

The Investment Panel is made up of three private sector and two public sector representatives from the Cumbria LEP Board comprising one County Council (Cllr Eddie Martin) and one District Council; Cumbria LEP Executive Support and officers of Cumbria County Council. As part of the assessment process, applications are considered by the Council's Section 151 Officer (Assistant Director – Finance) for compliance with local authority accountancy regulations.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

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**54. Trust Funds and Accountable Body Funds continued**

Growing Places Fund continued

As accountable body, the Council will enter into formal agreements with the applicants (and if required the relevant district councils) before the CIF is invested to ensure that funding can be repaid within the agreed timescales or against agreed milestones.

The funding was received from government in the latter stages of the 2011/12 financial year; the table below shows the balance at the 31<sup>st</sup> March 2012 and the transactions during the year relating to staff time charged for the management of the fund.

	<b>2011/12 Receipts £000</b>	<b>2011/12 Payments £000</b>	<b>Balance at 31/3/12 £000</b>
Revenue	505	(3)	502
Capital	6,162	0	6,162

Nuclear Partners Fund

Between 2009/10 and 2011/12 the Nuclear Partners (Nuclear Management Partners, Sellafield Ltd and the Nuclear Decommissioning Agency) provided funding to the Council to enable Energy Coast West Cumbria to deliver projects on their behalf.

Projects were formally agreed between the Nuclear Management Partners and the other members on the Britain's Energy Coast West Cumbria Board comprising private and public sector representatives including Councillor Tony Markley from the County Council.

During 2011/12 the responsibility for the management of the funds was transferred from the Council to Energy Coast West Cumbria Ltd, the table below shows the income and expenditure over the past 3 years and the current balance held by the Council of £2.9m which relates wholly to the Port of Workington Container Handling Facility project.

	<b>2009/10 Receipts £000</b>	<b>2009/10 Payments £000</b>	<b>Balance at 31/3/10 £000</b>	<b>2010/11 Receipts £000</b>	<b>2010/11 Payments £000</b>	<b>Balance at 31/3/11 £000</b>	<b>2011/12 Receipts £000</b>	<b>2011/12 Payments £000</b>	<b>Balance at 31/3/12 £000</b>
Nuclear Partners	2,508	0	2,508	3,649	(2,356)	3,801	0	(880)	2,921
Nuclear Partners via WLR	0	0	0	657	(657)	0	274	(274)	0
Interest	0	0	0	23	0	23	16	(39)	0
	<b>2,508</b>	<b>0</b>	<b>2,508</b>	<b>4,329</b>	<b>(3,013)</b>	<b>3,824</b>	<b>290</b>	<b>(1,193)</b>	<b>2,921</b>

**CUMBRIA COUNTY COUNCIL**  
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**55. Effect of Restatement of 2010/11**

In 2011/12 there were four changes that required the restatement of the 2010/11 Statement of Accounts:

- A new accounting standard for Heritage Assets was introduced.
- The re-classification of trading operations from Other Operating Expenditure to Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement.
- There was a change in the classification of services within the Service Reporting Code of Practice (SeRCOP) that required the Cultural, Environmental, Regulatory and Planning Services line to be disclosed in three separate lines of Cultural and Related Services, Environmental and Regulatory Services and Planning Services.
- The reclassification of residential care debtors from short to long term debtors on the Balance Sheet.

**Effect on Comprehensive Income and Expenditure Statement**

	Note to the Accounts	2010/11			Restatement			2010/11 Restated		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Services:</b>										
Central Services to the Public		2,918	(1,147)	1,771				2,918	(1,147)	1,771
Cultural, Environmental, Regulatory and Planning Services		66,401	(8,564)	57,837	(66,401)	8,564	(57,837)	0	0	0
Cultural and Related Services					12,541	(972)	11,569	12,541	(972)	11,569
Environmental and Regulatory Services					33,244	(2,729)	30,515	33,244	(2,729)	30,515
Planning Services					20,616	(4,863)	15,753	20,616	(4,863)	15,753
Education and Childrens' Services		566,175	(419,861)	146,314				566,175	(419,861)	146,314
Highways and Transport Services		49,359	(12,573)	36,786				49,359	(12,573)	36,786
Adult Social Care		195,321	(46,482)	148,839				195,321	(46,482)	148,839
Fire & Rescue Services		27,337	(737)	26,600				27,337	(737)	26,600
Corporate and Democratic Core		6,652	(1,300)	5,352				6,652	(1,300)	5,352
Non Distributed Costs		1,138	0	1,138				1,138	0	1,138
Exceptional Item	9	(75,831)	0	(75,831)				(75,831)	0	(75,831)
<b>Cost of Services</b>	29	839,470	(490,664)	348,806	0	0	0	839,470	(490,664)	348,806
Other Operating Expenditure	10	32,679	0	32,679	(315)	0	(315)	32,364	0	32,364
Financing and Investment Income and Expenditure	11	46,560	(1,916)	44,644	3,725	(3,410)	315	50,285	(5,326)	44,959
Taxation and Non Specific Grant Income	12	0	(471,840)	(471,840)				0	(471,840)	(471,840)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(45,711)</b>	<b>3,410</b>	<b>(3,410)</b>	<b>0</b>			<b>(45,711)</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				7,875						7,875
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				0						0
Actuarial (Gains)/Losses on Pension Assets/Liabilities				(127,082)						(127,082)
Other (Gains)/Losses				0						0
<b>Other Comprehensive Income and Expenditure</b>				<b>(119,207)</b>						<b>(119,207)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(164,918)</b>						<b>(164,918)</b>

**CUMBRIA COUNTY COUNCIL**  
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**55. Effect of Restatement of 2010/11 continued**

**Effect on Balance Sheet**

The 2010/11 balance sheet has been restated to reflect a re-classification of residential care debtors between short term and long term debtors and to comply with the requirements of the Code of Practice on Local Authority Accounting 2011/12 with respect to the treatment of Heritage Assets.

The fully restated balance Sheet is provided on page 18. The adjustments that have been made to the Balance Sheet published in the 2010/11 Statement of Accounts are detailed below. Further details of the restatement are given in Note 29 Heritage Assets and Note 33 Long Term Debtors.

**Balance Sheet as at 1<sup>st</sup> April 2010**

	Original Balance at 1st April 2010 £000	Restatement £000	Revised Balance at 1st April 2010 £000
<b>Total Property, Plant and Equipment</b>	<b>1,037,590</b>	<b>0</b>	<b>1,037,590</b>
Heritage Assets	0	385	385
Investment Properties	1,232	0	1,232
Intangible Assets	16,583	0	16,583
Long Term Investments	2,813	0	2,813
Long Term Debtors	2,254	3,056	5,310
<b>Total Long Term Assets</b>	<b>1,060,472</b>	<b>3,441</b>	<b>1,063,913</b>
Short Term Debtors	79,418	(3,056)	76,362
Other Current Assets	77,795	0	77,795
<b>Total Current Assets</b>	<b>157,213</b>	<b>(3,056)</b>	<b>154,157</b>
Current Liabilities	(129,698)	0	(129,698)
Long Term Liabilities	(983,436)	0	(983,436)
<b>Total Net Assets</b>	<b>104,551</b>	<b>385</b>	<b>104,936</b>
Usable Reserves	73,092	0	73,092
Unusable Reserves	31,459	385	31,844
<b>Net Worth/Total Reserves</b>	<b>104,551</b>	<b>385</b>	<b>104,936</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 5 – NOTES TO THE ACCOUNTING STATEMENTS**

**Effect on Balance Sheet 31<sup>st</sup> March 2011**

	Original Balance at 31st March 2011 £000	Restatement £000	Revised Balance at 31st March 2011 £000
<b>Total Property, Plant and Equipment</b>	<b>1,029,321</b>	<b>0</b>	<b>1,029,321</b>
Heritage Assets	0	385	385
Investment Properties	1,232	0	1,232
Intangible Assets	13,104	0	13,104
Long Term Investments	2,813	0	2,813
Long Term Debtors	1,979	4,969	6,948
<b>Total Long Term Assets</b>	<b>1,048,449</b>	<b>5,354</b>	<b>1,053,803</b>
Short Term Debtors	70,758	(4,969)	65,789
Other Current Assets	120,695	0	120,695
<b>Total Current Assets</b>	<b>191,453</b>	<b>(4,969)</b>	<b>186,484</b>
Current Liabilities	(146,847)	0	(146,847)
Long Term Liabilities	(823,996)	0	(823,996)
<b>Total Net Assets</b>	<b>269,059</b>	<b>385</b>	<b>269,444</b>
Usable Reserves	87,954	0	87,954
Unusable Reserves	181,105	385	181,490
<b>Net Worth/Total Reserves</b>	<b>269,059</b>	<b>385</b>	<b>269,444</b>

**Movement in Reserves Statement - Unusable Reserves 2010/11**

The restatement of the unusable reserves in the Movement in Reserves Statement, as of 31st March 2011, as a result of the application of the new Heritage Asset accounting policy is presented in the table below.

	As Previously Stated 31st March 2011 £000	Restatement 2011 £000	As Restated 31st March 2011 £000
<b>Total Unusable Reserves as at 1st April 2010</b>	31,459	385	31,844
Surplus or Deficit on the Provision of Services	0	0	0
	31,459	385	31,844
Other Comprehensive Income and Expenditure	119,207	0	119,207
Adjustments between the accounting basis and the funding basis under regulations	30,439	0	30,439
<b>Increase/(Decrease) in 2010/11</b>	<b>149,646</b>	<b>0</b>	<b>149,646</b>
		0	
<b>Total Unusable Reserves as at 31st March 2011</b>	<b>181,105</b>	<b>385</b>	<b>181,490</b>

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £0.385m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £0.385m and Property, Plant and Equipment being restated by £2 being the amount of Heritage Assets previously recognised in Community Assets. The impact of the re-classification of residential care debtors is to reclassify £4.969m of short term debtors to long term debtors.



### **6.1 Introduction**

The Group Accounting Statements have been prepared on the basis of a full consolidation of the financial transactions of the Council and its subsidiary and associated companies. Associated companies are consolidated using the equity method – the Council's investment in these companies is incorporated at cost and adjusted each year by the Council's share of the companies' results as recognised in the Group Comprehensive Income and Expenditure Statement and its share of other gains and losses. The associated companies have all prepared their accounts to 31<sup>st</sup> March 2012.

### **6.2 Group Boundary**

During 2011/12 the group boundary (i.e. what should be included within the Council's group accounts) was re-examined to determine whether the existing members of the group were still appropriate and in addition whether there were any other bodies that should be included. This review took account of the materiality of the bodies in terms of value and the nature of their relationships.

In previous years the Group accounts have included the following:

Cumbria Waste Management Ltd and its subsidiaries  
Invest in Cumbria Ltd  
Traveline Ltd  
Cumbria Capital Fund

The Council's relationship with Cumbria Waste Management Ltd (CWM) is unchanged in the year and therefore CWM remains part of the group accounts. However, during 2011/12 CWM acquired two companies – Trotters Dry Waste Ltd which is treated as a 100% owned subsidiary of CWM and South Lakeland Trade Waste which has been absorbed into Cumbria Waste Recycling's operations.

- Cumbria Waste Management Ltd – 100% controlled and CWM Ltd's subsidiaries Cumbria Waste Recycling Ltd and Trotters Dry Waste Ltd which are wholly owned by CWM Ltd and its associate Lakeland Waste Management Ltd, which is 50% owned by CWM Ltd are included in the Group Accounts. These four companies are involved in the management, recycling or disposal of waste within Cumbria. The net assets of this group totalled £14.670m (2010/11 £13.552m). The accounts can be obtained from Cumbria Waste Management Ltd at Unit 5a, Wavell Drive, Rosehill Estate, Carlisle CA1 2ST.

Invest In Cumbria Ltd, Traveline Ltd and Cumbria Capital Fund are relatively small as outlined below, and they do not materially alter the group accounting statements if they are either included or excluded. So, on the grounds of materiality they will no longer be included in the group accounts but will still be included in the related parties note to the accounts.

## **6.2 Group Boundary continued**

The results of the three companies were:

- Cumbria Capital Fund – 100% controlled. This company was involved in the promotion or encouragement of industrial and commercial enterprise within Cumbria. The company was dissolved on 17<sup>th</sup> January 2012 and the balances transferred to Cumbria Asset Reinvestment Trust (CART).
- Invest in Cumbria Ltd – 100% controlled. The company aims to attract inward investment into Cumbria. The net assets of this company totalled £0.113m (2010/11 £0.244m). The accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.
- Traveline Cumbria Ltd – a 49% subsidiary. This company is a travel enquiry call centre which supports the Council's integrated transport policy. The net assets of this company totalled £0.093m (2010/11 £0.095m). The accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

Two companies, in which the Council holds an interest were considered for inclusion in the group boundary this year. These are summarised below but further details are included in Section 5 Note 50 to the Council's statement of accounts - Related Parties. These companies should be accounted for as jointly controlled entities for group accounting purposes, however on the basis of materiality Group Accounts are not required.

- **Maryport Developments Ltd**

Maryport Developments Limited (MDL) (Company Number 02094782) is a limited company incorporated in 1987. At the 31<sup>st</sup> March 2011 the Council held 9.5% of the ordinary shares of the company.

Following the demise of the regional development agencies the North West Development Agency (NWDA) has been making arrangements to exit from their investment arrangements. In December 2011 Energy Coast West Cumbria (ECWC) purchased NWDA's ordinary shares and subsequently transferred an equal number to Cumbria County Council and to Allerdale Borough Council. The result is that the Council now has a 33.6% interest in this company, together with Allerdale Borough Council (33.6%) and Britain's Energy Coast West Cumbria (32.8%). The company made an operating loss of £0.042m (2010/11 £0.405m) in the year to 31<sup>st</sup> March 2012 and had net assets of £0.963m (2010/11 net liabilities £0.278m). Copies of the accounts can be obtained from Maryport Developments Ltd.

**6.2 Group Boundary continued**

- **NW FiReControl Limited**

NW FiReControl Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

During 2011/12 renegotiations were held for the future of the project following the closure of the National Project, which was announced by the Fire Minister in December 2011. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire FRAs. These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd, and have been successful in obtaining support from CLG to continue the project. The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two Directors, who are Councillors appointed to their respective FRAs. All Directors have equal voting rights.

The company made a profit before tax of £0.027m (2010/11 £0.010m) in the year to 31<sup>st</sup> March 2012 and had net assets of £0.080m (2010/11 net liabilities £0.069m). At this level of operation the company is not material for the Group Accounts.

**6.3 Minority Interest**

The Council has a subsidiary - Lakeland Waste Management Ltd (LWM) in which it has a holding of 50%. IAS 27 (Minority Interests) requires that the financial results and balances of this subsidiary are fully consolidated into the group accounts to reflect the fact that the Council has full control over the financial and operating policies. It is recognised that the ultimate rights to the economic benefits for the Council are limited to the shareholding (50%). A proportion of the capital and reserves of LWM are identified in the group accounts as a minority interest.

Minority interests are presented on the face of the Group Balance Sheet. For the Comprehensive Income & Expenditure Statement there is an analysis below the main statement showing the amounts of the surplus or deficit that is attributable to the minority interest.

In order to calculate the minority interest share of the subsidiary reserves accumulated between the acquisition date and the start of the current year an estimate has been calculated. The calculation allocated the difference between the adjusted reserves at the acquisition dates and those at the end of the period, net of the attributable movement identified to the minority interest in the current year.

#### **6.4 Statement of Accounting Policies**

The majority of the accounting policies adopted to produce the group accounts complement those used to prepare the Council's own accounts. However, additional policies and departures have occurred in order to meet IFRS requirements for the preparation of Group Accounts. These policies are:

##### **1. Goodwill**

The Council has not paid a premium over the net assets acquired for any of its subsidiaries or associates. However, any goodwill that did arise would be charged to the cost of the relevant service.

##### **2. Non Current Assets**

Profits and losses on disposal are treated as a charge to the net cost of service. Significant profits and losses on disposal are shown as exceptional items.

The Council revalues its assets to reflect their market value for existing uses. The Cumbria Waste Management group completes a revaluation to reflect the cost and associated liabilities of managing landfill sites. In order to accommodate the estimated future costs of restoration and aftercare on these sites, restoration and aftercare costs are capitalised and a provision created. The total cost of non current assets are amortised and charges to the Group Comprehensive Income & Expenditure are based on the overall proportion of void space consumed during the accounting period. The Cumbria Waste Management group creates a provision for the future restoration and aftercare costs in respect of landfill sites. The total provision created by Cumbria Waste Management Ltd was £10.302m (2010/11 £10.991m). The Council has treated this exposure as a contingent liability (Section 5, note 52).

Other subsidiaries do not hold interests in land & buildings. Their non current assets are held at cost with depreciation charged over their estimated useful lives.

##### **3. Consolidation**

Trades between the Council and its subsidiaries are eliminated on consolidation.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**

**6.5 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR TO 31<sup>st</sup> MARCH 2012**

2010/11 Restated			Service	Note to the Accounts	2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			<b>Services:</b>				
2,918	(1,147)	1,771	Central Services to the Public		3,115	(1,347)	1,768
12,541	(972)	11,569	Cultural and Related Services		10,439	(952)	9,487
49,517	(21,045)	28,472	Environmental and Regulatory Services		52,449	(23,468)	28,981
20,616	(4,863)	15,753	Planning Services		16,180	(3,003)	13,177
49,359	(12,573)	36,786	Highways and Transport Services		52,438	(14,684)	37,754
0	0	0	Highways and Transport Services - Acquired Operations		8,319	(54)	8,265
566,175	(419,861)	146,314	Education and Childrens' Services		437,873	(336,016)	101,857
195,321	(46,482)	148,839	Adult Social Care		199,507	(46,294)	153,213
27,337	(737)	26,600	Fire & Rescue Services		22,271	(815)	21,456
6,652	(1,300)	5,352	Corporate and Democratic Core		10,226	(4,544)	5,682
1,138	0	1,138	Non Distributed Costs		5,698	0	5,698
(75,831)	0	(75,831)	Exceptional Item		0	0	0
0	0	0	Exceptional Items - IAS19 Settlements		5,871	(16,666)	(10,795)
0	0	0	Exceptional Items - IAS19 Business Combinations		68,348	(64,541)	3,807
855,743	(508,980)	346,763	<b>Cost of Services</b>	6.11 & 6.12	892,734	(512,384)	380,350
32,364	0	32,364	Other Operating Expenditure	6.13	56,909	0	56,909
50,285	(4,176)	46,109	Financing and Investment Income and Expenditure	6.14	42,205	(3,740)	38,465
0	(471,840)	(471,840)	Taxation and Non Specific Grant Income	6.15	0	(496,432)	(496,432)
		(46,604)	<b>(Surplus) / Deficit on Provision of Services</b>				(20,708)
		861	Taxation of Subsidiaries				568
		(45,743)	<b>Group (Surplus) / Deficit</b>				(20,140)
		7,875	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(10,655)
		0	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				(43)
		(127,082)	Actuarial (Gains) / Losses on Pension Assets/Liabilities				49,221
		0	Other (Gains) / Losses				
		(119,207)	<b>Other Comprehensive Income and Expenditure</b>				38,523
		(164,950)	<b>Total Comprehensive Income and Expenditure</b>				18,383
2010/11			Analysis of minority interests shares in the group		2011/12		
Authority £000	Minority Interest £000	Total £000			Authority £000	Minority Interest £000	Total £000
(46,317)	574	(45,743)	Group (Surplus) / Deficit		(20,287)	147	(20,140)
(119,207)	0	(119,207)	Other Comprehensive Income and Expenditure		38,523	0	38,523
(165,524)	574	(164,950)	Total Comprehensive Income and Expenditure		18,236	147	18,383

The 2010/11 Comprehensive Income and Expenditure Statement has been restated to reflect the change in the Service Reporting Code of Practice which requires Cultural, Environmental and Planning Services to be reported separately and the re-classification of trading operations from Other Operating Expenditure to Financing and Investment Income and Expenditure. Further details are set out in note 55 to the Council's statement of accounts.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**

**6.6 GROUP MOVEMENT IN RESERVES STATEMENT**

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves	Authority's share of reserves of subsidiaries £000	Total Reserves £000
<b>Balance at 31st March 2010</b>	11,242	57,185	2,851	193	0	2,813	74,284	171,428	501,402	544	(631,973)	(588)	159	(9,128)	31,844	106,128	9,776	115,904
<b>Movement in Reserves during 2010/11</b>																		
Surplus or (deficit) on the provision of services	45,711	0	0	0	0	0	45,711	0	0	0	0	0	0	0	0	45,711	(1,113)	44,598
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(7,875)	0	0	127,082	0	0	0	119,207	119,207	0	119,207
<b>Total Comprehensive Income and Expenditure</b>	<b>45,711</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,711</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,918</b>	<b>(1,113)</b>	<b>163,805</b>
Adjustments between Group Accounts and authority accounts	(62)	0	0	0	0	0	(62)	0	0	0	0	0	0	0	0	(62)	1,836	1,774
<b>Net Increase / Decrease before transfers</b>	<b>45,649</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,649</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,856</b>	<b>723</b>	<b>165,579</b>
Adjustments between accounting basis and funding basis under regulations	(31,872)	0	0	635	388	0	(30,849)	(6,466)	(7,227)	(410)	47,551	0	857	(3,866)	30,439	(410)	0	(410)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>13,777</b>	<b>0</b>	<b>0</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,800</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,446</b>	<b>723</b>	<b>165,169</b>
Transfers (to)/from Earmarked Reserves	(9,022)	6,542	2,480	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2010/11</b>	<b>4,755</b>	<b>6,542</b>	<b>2,480</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,800</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,446</b>	<b>723</b>	<b>165,169</b>
<b>Balance at 31st March 2011</b>	<b>15,997</b>	<b>63,727</b>	<b>5,331</b>	<b>828</b>	<b>388</b>	<b>2,813</b>	<b>89,084</b>	<b>157,087</b>	<b>494,175</b>	<b>134</b>	<b>(457,340)</b>	<b>(588)</b>	<b>1,016</b>	<b>(12,994)</b>	<b>181,490</b>	<b>270,574</b>	<b>10,499</b>	<b>281,073</b>
<b>Movement in Reserves during 2011/12</b>																		
Surplus or (deficit) on the provision of services	21,412	0	0	0	0	0	21,412	0	0	0	0	0	0	0	0	21,412	(1,244)	20,168
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	10,655	0	0	(49,221)	43	0	0	(38,523)	(38,523)	0	(38,523)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,412</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(17,111)</b>	<b>(1,244)</b>	<b>(18,355)</b>
Adjustments between Group Accounts and authority accounts	(3,063)	0	0	0	0	0	(3,063)	0	0	0	0	0	0	0	0	(3,063)	2,637	(426)
<b>Net Increase / Decrease before transfers</b>	<b>18,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,349</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(20,174)</b>	<b>1,393</b>	<b>(18,781)</b>
Adjustments between accounting basis and funding basis under regulations	(137)	0	0	4,953	(388)	0	4,428	(20,919)	19,990	0	(6,973)	0	519	2,695	(4,688)	(260)	0	(260)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>18,212</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>22,777</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(20,434)</b>	<b>1,393</b>	<b>(19,041)</b>
Transfers (to)/from Earmarked Reserves	(20,386)	19,213	(10)	0	1,183	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2011/12</b>	<b>(2,174)</b>	<b>19,213</b>	<b>(10)</b>	<b>4,953</b>	<b>795</b>	<b>0</b>	<b>22,777</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(20,434)</b>	<b>1,393</b>	<b>(19,041)</b>
<b>Balance at 31st March 2012</b>	<b>13,823</b>	<b>82,940</b>	<b>5,321</b>	<b>5,781</b>	<b>1,183</b>	<b>2,813</b>	<b>111,861</b>	<b>146,823</b>	<b>514,165</b>	<b>134</b>	<b>(513,534)</b>	<b>(545)</b>	<b>1,535</b>	<b>(10,299)</b>	<b>138,279</b>	<b>250,140</b>	<b>11,892</b>	<b>262,032</b>

**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**  
**6.7 GROUP BALANCE SHEET as at 31st March 2012**

1st April 2010 Restated £000	31st March 2011 Restated £000		Notes to the Accounts	31st March 2012 £000
		<b>Long Term Assets:</b>		
		<b>Property, Plant and Equipment</b>		
729,980	683,681	Other Land and Buildings		675,420
22,963	23,416	Vehicles, Plant, Furniture and Equipment		20,521
255,930	292,495	Infrastructure		380,109
52	46	Community Assets		46
29,782	29,007	Assets Under Construction		35,244
10,266	10,313	Surplus Properties Not Held For Sale		10,921
1,048,973	1,038,958	<b>Total Property, Plant and Equipment</b>	6.16	1,122,261
385	385	Heritage Assets		521
1,232	1,232	Investment Properties	6.17	185
16,593	13,185	Intangible Assets		9,838
5,310	6,948	Long Term Debtors		8,011
1,072,493	1,060,708	<b>Total Long Term Assets</b>		1,140,816
		<b>Current Assets:</b>		
494	626	Current Assets Held for Sale		203
438	1,156	Inventories		1,461
84,348	73,985	Short Term Debtors	6.18	56,464
36,494	43,595	Short Term Investments	6.19	66,277
55,631	90,602	Cash and Cash Equivalents		68,106
177,405	209,964	<b>Total Current Assets</b>		192,511
		<b>Current Liabilities:</b>		
(4,800)	(14,884)	Short Term Borrowings		(4,691)
(89,762)	(95,865)	Short Term Creditors	6.20	(80,656)
(5,884)	(5,627)	Short Term Finance Lease Liability		0
(22,221)	(20,838)	Revenue grants received in Advance		(10,549)
(3,208)	(8,800)	Short Term Provisions	6.22	(1,827)
(10,573)	(7,583)	Bank Overdraft		(6,110)
(136,448)	(153,597)	<b>Total Current Liabilities</b>		(103,833)
		<b>Long Term Liabilities:</b>		
(296,064)	(316,021)	Long Term Borrowings	6.21	(315,974)
(8)	0	Long Term Creditors		(2,536)
(5,627)	0	Long Term Finance Lease Liability		(156)
0	0	Long Term PFI Liability		(81,309)
(44,247)	(44,578)	Capital Grants Receipts in Advance		(36,171)
(17,133)	(16,371)	Long Term Provisions	6.22	(16,298)
(632,734)	(457,936)	Pensions Liability		(514,218)
(995,813)	(834,906)	<b>Total Long Term Liabilities</b>		(966,662)
<b>117,637</b>	<b>282,169</b>	<b>Net Assets</b>		<b>262,832</b>
		<b>Usable Reserves</b>		
11,242	15,997	General Fund Balance		13,823
9,776	10,499	Profit and Loss Reserve		11,892
57,185	63,727	Earmarked Reserves		82,940
2,851	5,331	Earmarked Capital Reserve		5,321
193	828	Usable Capital Receipts Reserve		5,781
0	388	Capital Grants & Contributions Unapplied Reserve		1,183
2,813	2,813	Long Term Investment Reserve		2,813
84,060	99,583			123,753
		<b>Unusable Reserves</b>		
171,428	157,087	Revaluation Reserve		146,823
501,402	494,175	Capital Adjustment Account		514,165
544	134	Deferred Capital Receipts		134
(631,973)	(457,340)	Pensions Reserve		(513,534)
(588)	(588)	Financial Instruments Adjustment Account		(545)
159	1,016	Collection Fund Adjustment Account		1,535
(9,128)	(12,994)	Accumulated Absences Account		(10,299)
1,733	1,096	Minority Interest		800
33,577	182,586			139,079
<b>117,637</b>	<b>282,169</b>	<b>Total Reserves</b>	6.23	<b>262,832</b>

The Balance Sheets for 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 have been restated to bring Heritage Assets on to the Balance Sheet and to reflect the reclassification of residential care debtors, which are either secured on property or are the subject of a deferred payment agreement, from short to long term debtors. There is further detail set out in note 55.

**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**

**6.8 RECONCILIATION OF MOVEMENT IN RESERVES STATEMENT TO BALANCE SHEET FOR MINORITY INTEREST**

Reconciliation of Movement in Reserves Statement to Balance Sheet for Minority Interest			
1st April 2010 Restated £000	31st March 2011 £000		31st March 2012 £000
115,904	281,073	Total Reserves in the Movement in Reserves Statement	262,032
1,733	1,096	Minority interests share of reserves of subsidiaries	800
117,637	282,169	Total Reserves in Balance Sheet	262,832

**6.9 GROUP CASH FLOW STATEMENT**

2010/11 Restated £000		Notes	2011/12 £000
45,743	Net Group Surplus/(Deficit) on the Provision of Services		20,140
74,968	Adjustments to net surplus or (deficit) on the provision of services for non cash movements	6.24.1	106,357
(73,591)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6.24.1	(84,267)
47,120	Net Cashflows from Operating Activities		42,230
(32,418)	Net Cashflows from Investing Activities	6.24.3	(41,380)
23,259	Net Cashflows from Financing Activities	6.24.4	(21,873)
37,961	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		(21,023)
45,058	Cash and Cash Equivalents at the Beginning of the Reporting Period	6.24.5	83,019
83,019	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	6.24.5	61,996



**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**  
**NOTES TO THE GROUP ACCOUNTS**  
**6.10.1 Movement in Reserves Statement 2011/12**

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves £000	Authority's share of reserves of subsidiaries £000	Total Reserves £000
Balance at 31st March 2011	15,997	63,727	5,331	828	388	2,813	89,084	157,087	494,175	134	(457,340)	(588)	1,016	(12,994)	181,490	270,574	10,499	281,073
<b>Movement in Reserves during 2011/12</b>																		
Surplus/(deficit) on the provision of services	21,412	0	0	0	0	0	21,412	0	0	0	0	0	0	0	0	21,412	(1,244)	20,168
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	10,655	0	0	(49,221)	43	0	0	(38,523)	(38,523)	0	(38,523)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,412</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(17,111)</b>	<b>(1,244)</b>	<b>(18,355)</b>
Adjustments between group accounts and authority accounts	(3,063)	0	0	0	0	0	(3,063)	0	0	0	0	0	0	0	0	(3,063)	2,637	(426)
<b>Net Increase/ Decrease before transfers</b>	<b>18,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,349</b>	<b>10,655</b>	<b>0</b>	<b>0</b>	<b>(49,221)</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>(38,523)</b>	<b>(20,174)</b>	<b>1,393</b>	<b>(18,781)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>																		
<b>Reversal of items debited / credited to CI&amp;E statement</b>																		
Depreciation of non current assets	27,539	0	0	0	0	0	27,539	0	(27,539)	0	0	0	0	0	(27,539)	0	0	0
Depreciation and impairment of intangible assets	3,729	0	0	0	0	0	3,729	0	(3,729)	0	0	0	0	0	(3,729)	0	0	0
Impairment of non current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	22,746	0	0	0	0	0	22,746	0	(22,746)	0	0	0	0	0	(22,746)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	13,794	0	0	0	0	0	13,794	0	(13,794)	0	0	0	0	0	(13,794)	0	0	0
Grants on revenue expenditure funded from capital under statute	(13,794)	0	0	0	0	0	(13,794)	0	13,794	0	0	0	0	0	13,794	0	0	0
Gains and losses on disposal of fixed assets	56,148	0	0	5,176	0	0	61,324	0	(61,324)	0	0	0	0	0	(61,324)	0	0	0
Use of capitalisation direction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;E statement</b>																		
Minimum Revenue Provision	(27,269)	0	0	0	0	0	(27,269)	0	27,269	0	0	0	0	0	27,269	0	0	0
Capital expenditure charged to the general fund balance	(8,977)	0	0	0	0	0	(8,977)	0	8,977	0	0	0	0	0	8,977	0	0	0
<b>Other adjustments</b>																		
Collection fund adjustment account	(519)	0	0	0	0	0	(519)	0	0	0	0	0	519	0	519	0	0	0
Accumulated Absences Adjustment	(2,695)	0	0	0	0	0	(2,695)	0	0	0	0	0	0	2,695	2,695	0	0	0
Employers contributions payable to pension funds	(40,823)	0	0	0	0	0	(40,823)	0	0	0	40,823	0	0	0	40,823	0	0	0
IAS 19 retirement benefit charges	47,796	0	0	0	0	0	47,796	0	0	0	(47,796)	0	0	0	(47,796)	0	0	0
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts used in financing	0	0	0	(223)	0	0	(223)	0	223	0	0	0	0	0	223	0	0	0
CGUA used in financing	(77,812)	0	0	0	(388)	0	(78,200)	0	78,200	0	0	0	0	0	78,200	0	0	0
Donated Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(17,918)	17,918	0	0	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,001)	3,001	0	0	0	0	0	0	0	0	0
2010/11 Adjustments	0	0	0	0	0	0	0	0	(260)	0	0	0	0	0	(260)	(260)	0	(260)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(137)</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>4,428</b>	<b>(20,919)</b>	<b>19,990</b>	<b>0</b>	<b>(6,973)</b>	<b>0</b>	<b>519</b>	<b>2,695</b>	<b>(4,688)</b>	<b>(260)</b>	<b>0</b>	<b>(260)</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>18,212</b>	<b>0</b>	<b>0</b>	<b>4,953</b>	<b>(388)</b>	<b>0</b>	<b>22,777</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(20,434)</b>	<b>1,393</b>	<b>(19,041)</b>
Transfers to Earmarked Reserves	(39,172)	39,172	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	19,959	(19,959)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Reserves	10	0	(10)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves (Note 44.2)	(1,183)	0	0	0	1,183	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2011/12</b>	<b>(2,174)</b>	<b>19,213</b>	<b>(10)</b>	<b>4,953</b>	<b>795</b>	<b>0</b>	<b>22,777</b>	<b>(10,264)</b>	<b>19,990</b>	<b>0</b>	<b>(56,194)</b>	<b>43</b>	<b>519</b>	<b>2,695</b>	<b>(43,211)</b>	<b>(20,434)</b>	<b>1,393</b>	<b>(19,041)</b>
<b>MIRS Balance at 31st March 2012</b>	<b>13,823</b>	<b>82,940</b>	<b>5,321</b>	<b>5,781</b>	<b>1,183</b>	<b>2,813</b>	<b>111,861</b>	<b>146,823</b>	<b>514,165</b>	<b>134</b>	<b>(513,534)</b>	<b>(545)</b>	<b>1,535</b>	<b>(10,299)</b>	<b>138,279</b>	<b>250,140</b>	<b>11,892</b>	<b>262,032</b>

# CUMBRIA COUNTY COUNCIL

## SECTION 6 - GROUP ACCOUNTING STATEMENTS

### 6.10.2 Movement in Reserves Statement 2010/11

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves £000	Authority's share of reserves of subsidiaries £000	Total Reserves £000
Balance at 31st March 2010	11,242	57,185	2,851	193	0	2,813	74,284	171,428	501,402	544	(631,973)	(588)	159	(9,128)	31,844	106,128	9,776	115,904
<b>Movement in Reserves during 2010/11</b>																		
Surplus/(deficit) on the provision of services	45,711	0	0	0	0	0	45,711	0	0	0	0	0	0	0	0	45,711	(1,114)	44,597
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(7,875)	0	0	127,082	0	0	0	119,207	119,207	0	119,207
<b>Total Comprehensive Income and Expenditure</b>	<b>45,711</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,711</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,918</b>	<b>(1,114)</b>	<b>163,804</b>
Adjustments between group accounts and authority accounts	(62)	0	0	0	0	0	(62)	0	0	0	0	0	0	0	0	(62)	1,837	1,775
<b>Net Increase/ Decrease before transfers</b>	<b>45,649</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,649</b>	<b>(7,875)</b>	<b>0</b>	<b>0</b>	<b>127,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119,207</b>	<b>164,856</b>	<b>723</b>	<b>165,579</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>																		
<b>Reversal of items debited / credited to CI&amp;E statement</b>																		
Depreciation of non current assets	26,287	0	0	0	0	0	26,287	0	(26,287)	0	0	0	0	0	(26,287)	0	0	0
Depreciation and impairment of intangible assets	3,686	0	0	0	0	0	3,686	0	(3,686)	0	0	0	0	0	(3,686)	0	0	0
Impairment of non current assets	115	0	0	0	0	0	115	0	(115)	0	0	0	0	0	(115)	0	0	0
Revaluation Losses on Property, Plant & Equipment	47,895	0	0	0	0	0	47,895	0	(47,895)	0	0	0	0	0	(47,895)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	27,388	0	0	0	0	0	27,388	0	(27,388)	0	0	0	0	0	(27,388)	0	0	0
Grants on revenue expenditure funded from capital under statute	(23,268)	0	0	0	0	0	(23,268)	0	23,268	0	0	0	0	0	23,268	0	0	0
Gains and losses on disposal of fixed assets	30,389	0	0	2,478	0	0	32,867	0	(32,867)	0	0	0	0	0	(32,867)	0	0	0
Use of capitalisation direction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;E statement</b>																		
Minimum Revenue Provision	(21,017)	0	0	0	0	0	(21,017)	0	21,017	0	0	0	0	0	21,017	0	0	0
Capital expenditure charged to the general fund balance	(7,691)	0	0	0	0	0	(7,691)	0	7,691	0	0	0	0	0	7,691	0	0	0
<b>Other adjustments</b>																		
Collection fund adjustment account	(857)	0	0	0	0	0	(857)	0	0	0	0	0	857	0	857	0	0	0
Accumulated Absences Adjustment	3,866	0	0	0	0	0	3,866	0	0	0	0	0	0	(3,866)	(3,866)	0	0	0
Employers contributions payable to pension funds	(40,715)	0	0	0	0	0	(40,715)	0	0	0	40,715	0	0	0	40,715	0	0	0
IAS 19 retirement benefit charges	(6,836)	0	0	0	0	0	(6,836)	0	0	0	6,836	0	0	0	6,836	0	0	0
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	(410)	0	0	0	0	(410)	(410)	0	(410)
Receipts used in financing	0	0	0	(1,843)	0	0	(1,843)	0	1,843	0	0	0	0	0	1,843	0	0	0
CGUA used in financing	(70,600)	0	0	0	388	0	(70,212)	0	70,212	0	0	0	0	0	70,212	0	0	0
Donated Assets	(514)	0	0	0	0	0	(514)	0	514	0	0	0	0	0	514	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(6,466)	6,466	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	(31,872)	0	0	635	388	0	(30,849)	(6,466)	(7,227)	(410)	47,551	0	857	(3,866)	30,439	(410)	0	(410)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>13,777</b>	<b>0</b>	<b>0</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,800</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,446</b>	<b>723</b>	<b>165,169</b>
Transfers to Earmarked Reserves	(28,576)	28,576	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	22,034	(22,034)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Reserves	(2,480)	0	2,480	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2010/11</b>	<b>4,755</b>	<b>6,542</b>	<b>2,480</b>	<b>635</b>	<b>388</b>	<b>0</b>	<b>14,800</b>	<b>(14,341)</b>	<b>(7,227)</b>	<b>(410)</b>	<b>174,633</b>	<b>0</b>	<b>857</b>	<b>(3,866)</b>	<b>149,646</b>	<b>164,446</b>	<b>723</b>	<b>165,169</b>
<b>MIRS Balance at 31 March 2011st</b>	<b>15,997</b>	<b>63,727</b>	<b>5,331</b>	<b>828</b>	<b>388</b>	<b>2,813</b>	<b>89,084</b>	<b>157,087</b>	<b>494,175</b>	<b>134</b>	<b>(457,340)</b>	<b>(588)</b>	<b>1,016</b>	<b>(12,994)</b>	<b>181,490</b>	<b>270,574</b>	<b>10,499</b>	<b>281,073</b>

# CUMBRIA COUNTY COUNCIL

## SECTION 6 - GROUP ACCOUNTING STATEMENTS

### 6.11 Segmental Reporting

#### 6.11.1 Segmental Reporting 2011/12

Directorate income and expenditure 2011/12	Children Services	Adults and Local Services	Environment (Incl Acc Bodies)	Safer and Stronger Communities	Local Committees	Chief Executives	Organisational Development	Resources	Other Corporate and Miscellaneous	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(19,593)	(47,417)	(9,275)	(235)	(67)	(581)	(1,283)	(2,549)	(1,031)	(82,029)
Other income	(5,252)	(12,048)	(3,001)	(2,371)	(85)	(163)	(18)	(452)	(285)	(23,675)
Internal income	(7,469)	(361)	(75)	0	0	(898)	(19)	(10,052)	(284)	(19,158)
Interest & Investment Income	(72)	0	(42)	0	0	0	0	(66)	(4,330)	(4,510)
Service Specific Grant income	(297,129)	(1,293)	(2,806)	(560)	(6,230)	(130)	(546)	(2,960)	(651)	(312,305)
General Grants	0	0	0	0	0	0	0	0	(53,555)	(53,555)
<b>Total Income</b>	<b>(329,515)</b>	<b>(61,119)</b>	<b>(15,200)</b>	<b>(3,167)</b>	<b>(6,381)</b>	<b>(1,772)</b>	<b>(1,865)</b>	<b>(16,078)</b>	<b>(60,136)</b>	<b>(495,233)</b>
Employee costs	263,549	63,079	11,756	19,675	58	3,816	4,229	16,477	9,825	392,464
Running expenses	133,337	146,704	98,867	8,072	21,387	1,751	18,463	13,575	5,066	447,223
<b>Total Expenditure</b>	<b>396,886</b>	<b>209,784</b>	<b>110,623</b>	<b>27,747</b>	<b>21,445</b>	<b>5,567</b>	<b>22,693</b>	<b>30,052</b>	<b>14,890</b>	<b>839,687</b>
<b>Net Expenditure</b>	<b>67,372</b>	<b>148,665</b>	<b>95,423</b>	<b>24,580</b>	<b>15,064</b>	<b>3,795</b>	<b>20,827</b>	<b>13,974</b>	<b>(45,246)</b>	<b>344,454</b>

Reconciliation of directorate income to costs of services in CI&E		2011/12	
		£000	£000
Net expenditure in directorate analysis			344,454
<i>Amounts in CI&amp;E not reported to management</i>			
<i>Service and Support Services not in analysis</i>			
Trading accounts Premises-included in resources reversed out	738		
Trading accounts POW -included in Environment reversed out	(3,554)		(2,816)
<i>Amounts not reported to management for decision making</i>			
IAS19 Adjustment	(13,040)		
Employee benefit accrual	(2,695)		(15,735)
Capital charges	31,268		
Revaluation losses	22,746		
Investment property income and expenditure from CoS to Financing & Investment Income			54,014
Other	21		
	(7)		
REFCUS Expenditure	13,794		14
REFCUS grants	(13,794)		
Other Operating Expenditure included above	(754)		
General Grants included above	53,555		
MRP included above moved to MIRS	(15,916)		
Embedded lease principal (MRP)	(5,627)		
PFI Principal (MRP)	(5,726)		
Interest paid included in CoS transferred to Financing & Investment Income	(14,328)		
Embedded lease interest moved from CoS to Financing & Investment Income	(796)		
PFI Interest paid included in CoS to Financing & Investment Income	(1,863)		
Interest received included in CoS transferred to Financing & Investment Income	4,490		
RCCO included above moved to MIRS	(10,160)		
Net Expenditure of subsidiaries included in CI&ES and not reported to management	(2,456)		
			419
<b>Cost of Services in Comprehensive I&amp;E Statement</b>			<b>380,350</b>

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**6.11.2 Segmental Reporting 2010/11**

Directorate income and expenditure 2010/11	Children Services £000	Adults and Local Services £000	Environment (Incl Acc Bodies) £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate / Miscellaneous £000	Total £000
Fees and charges	(28,066)	(47,300)	(10,730)	(388)	(55)	(764)	(2,079)	(2,446)	(1,162)	(92,990)
Other income	(4,811)	(27,251)	(2,170)	(2,137)	(63)	(225)	(659)	(482)	(276)	(38,074)
Internal income	(9,842)	(788)	(369)	0	0	(1,251)	(8,096)	(10,454)	0	(30,800)
Interest & Investment Income	(98)	0	(180)	0	0	0	0	(45)	(1,726)	(2,049)
Grant income	(367,998)	(2,749)	(15,779)	(226)		(244)	(909)	(371)	(16)	(388,292)
<b>Total Income</b>	<b>(410,815)</b>	<b>(78,088)</b>	<b>(29,228)</b>	<b>(2,751)</b>	<b>(118)</b>	<b>(2,484)</b>	<b>(11,743)</b>	<b>(13,798)</b>	<b>(3,180)</b>	<b>(552,205)</b>
Employee costs	322,171	73,919	10,930	21,578	59	5,025	4,810	15,642	3,215	457,349
Running expenses	177,050	148,176	76,217	7,179	23,696	2,285	20,987	12,082	15,378	483,050
<b>Total Expenditure</b>	<b>499,221</b>	<b>222,095</b>	<b>87,147</b>	<b>28,757</b>	<b>23,755</b>	<b>7,310</b>	<b>25,797</b>	<b>27,724</b>	<b>18,593</b>	<b>940,399</b>
<b>Net Expenditure</b>	<b>88,406</b>	<b>144,007</b>	<b>57,919</b>	<b>26,006</b>	<b>23,637</b>	<b>4,826</b>	<b>14,054</b>	<b>13,926</b>	<b>15,413</b>	<b>388,194</b>

Reconciliation of directorate income to costs of services in CI&E	2010/11 £000
Net expenditure in directorate analysis	388,194
<i>Amounts in CI&amp;E not reported to management</i>	
Capital charges	76,957
Revaluation losses correction	(134)
REFCUS Expenditure	27,388
REFCUS grants	(22,999)
IAS19 Adjustment	(4,660)
NDC IAS19 adjustment included in I&E not directorate analysis	(74,693)
Trading accounts Premises-included in resources reversed out	537
Trading accounts POW -included in Environment reversed out	(852)
Employee benefit accrual	3,865
Other Operating Expenditure included above	(816)
Financing & Investment Income and Expenditure included above	(12,171)
Embedded lease principal moved from CoS to Balance Sheet	(5,883)
Embedded lease interest moved from CoS to Financing & Investment Income	(540)
Interest paid included in CoS transferred to Financing & Investment Income	(156)
RCCO included above moved to MIRS	(9,114)
MRP included above moved to MIRS	(15,133)
Investment property income and expenditure from CoS to Financing & Investment Income	25
Other	23
Additional Income - Childrens Services	(1,012)
Net expenditure of subsidiaries included in CI&E and not reported to management	(2,063)
Balance	<b>346,763</b>
Cost of services in Comprehensive I&E statement	346,763

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**6.12.1 SUBJECTIVE ANALYSIS 2011/12**

Subjective Analysis 2011/12	Directorate analysis £000	Service and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Net Expenditure of subsidiaries not included in the Analysis £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
<b>Reconciliation to subjective analysis</b>									
Fees, charges and other service income	(129,372)	0	14	0	(27,283)	0	(156,641)	0	(156,641)
Interest and investment income	0	0	0	0	0	0	0	(3,740)	(3,740)
Income from council tax	0	0	0	0	0	0	0	(206,535)	(206,535)
Government grants and contributions	(365,860)	0	0	0	0	0	(365,860)	(289,897)	(655,757)
<b>Total Income</b>	<b>(495,233)</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>(27,283)</b>	<b>0</b>	<b>(522,502)</b>	<b>(500,172)</b>	<b>(1,022,674)</b>
Employee expenses	392,464	(2,816)	(15,735)	0	6,959	0	380,872	2,816	383,688
Other service expenses	447,223	0	2,875	0	15,933	0	466,031	0	466,031
Support service recharges	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	54,014	0	1,833	0	55,847	0	55,847
Interest payments	0	0	0	0	0	0	0	39,389	39,389
Precepts and levies	0	0	0	0	0	0	0	754	754
Gain or loss on disposal of fixed assets	0	0	0	0	102	0	102	56,155	56,257
<b>Total Expenditure</b>	<b>839,687</b>	<b>(2,816)</b>	<b>41,154</b>	<b>0</b>	<b>24,827</b>	<b>0</b>	<b>902,852</b>	<b>99,114</b>	<b>1,001,965</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>344,454</b>	<b>(2,816)</b>	<b>41,168</b>	<b>0</b>	<b>(2,456)</b>	<b>0</b>	<b>380,350</b>	<b>(401,058)</b>	<b>(20,708)</b>
<b>(Surplus) or deficit on the provision of services from CI&amp;ES</b>							<b>380,350</b>	<b>(401,058)</b>	<b>(20,708)</b>

**CUMBRIA COUNTY COUNCIL**  
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**6.12.2 SUBJECTIVE ANALYSIS 2010/11**

Subjective Analysis 2010/11	Directorate analysis £000	Service and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Net Expenditure of subsidiaries not included in the Analysis £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
<b>Reconciliation to subjective analysis</b>									
Fees, charges and other service income	(550,156)	0	(985)	0	(23,760)	0	(574,901)	0	(574,901)
Interest and investment income	0	0	0	0	(234)	0	(234)	(766)	(1,000)
Income from council tax	0	0	0	0	0	0	0	(205,789)	(205,789)
Government grants and contributions	0	0	0	0	0	0	0	(266,051)	(266,051)
<b>Total Income</b>	(550,156)	0	(985)	0	(23,994)	0	(575,135)	(472,606)	(1,047,741)
Employee expenses	457,349	(315)	(75,488)	0	5,929	0	387,475	315	387,790
Other service expenses	481,001	0	(39,423)	0	12,961	0	454,539	0	454,539
Support service recharges	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	76,823	0	2,865	0	79,688	0	79,688
Interest payments	0	0	0	0	214	0	214	46,560	46,774
Precepts and levies	0	0	0	0	0	0	0	816	816
Gain or loss on disposal of fixed assets	0	0	0	0	(18)	0	(18)	31,548	31,530
<b>Total Expenditure</b>	938,350	(315)	(38,088)	0	21,951	0	921,898	79,239	1,001,137
<b>(Surplus) or deficit on the provision of services</b>	388,194	(315)	(39,073)	0	(2,043)	0	346,763	(393,367)	(46,604)
<b>(Surplus) or deficit on the provision of services from CI&amp;ES</b>							346,763	(393,367)	(46,604)

**CUMBRIA COUNTY COUNCIL**  
**SECTION 6 - GROUP ACCOUNTING STATEMENTS**

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**6.13 Other Operating Expenditure**

2010/11 £000		2011/12 £000
816	Precepts	754
1,159	Revaluation Losses on assets held for sale	0
30,389	(Gains)/ Losses on the disposal of non current assets	56,155
<b>32,364</b>	<b>Total</b>	<b>56,909</b>

**6.14 Financing and Investing Income and Expenditure**

2010/11 £000		2011/12 £000
14,758	Interest payable and similar charges	17,222
31,802	Pensions interest cost and expected return on pensions assets	20,096
(741)	Interest receivable and similar income	(1,648)
(25)	Income and Expenditure in relation to investment properties and changes in their fair value	(21)
0	Other investment income	0
315	Net (surplus)/ deficit on trading operations	2,816
<b>46,109</b>	<b>Total</b>	<b>38,465</b>

**6.15 Taxation and Non Specific Grant Income**

2010/11 £000		2011/12 £000
(205,789)	Council tax income	(206,535)
(126,182)	Non domestic rates	(121,098)
(68,755)	Non ring fenced Government Grants	(90,987)
(71,114)	Capital grants and contributions	(77,812)
0		0
<b>(471,840)</b>	<b>Total</b>	<b>(496,432)</b>

# CUMBRIA COUNTY COUNCIL

## SECTION 6 - GROUP ACCOUNTING STATEMENTS

### 6.16 Non Current Assets

#### 6.16.1 Group Non Current Assets

Group	Operational Assets				Non - Operational Assets			PFI Assets Included in PPE £000
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	
<b>Cost or Valuation</b>								
At 1st April 2011	725,814	353,671	53,972	46	10,471	29,007	1,172,981	1,342
Adjustments to Opening Balance	(34)	0	(108)	0	0	0	(142)	0
Additions	40,865	101,363	4,069	0	165	38,537	184,999	87,036
Disposals	(56,795)	(5,272)	(4,173)	0	(3,049)	(21)	(69,310)	0
Reclassifications	29,845	0	887	0	2,594	(32,279)	1,047	0
Revaluations	(19,561)	(5,660)	(228)	0	731	0	(24,718)	(874)
Impairments	0	0	0	0	0	0	0	0
assets reclassified (to)/from Held for Sale	(350)	0	0	0	32	0	(318)	0
Adjustments re 2010/11	(17)	0	0	0	58	0	41	0
<b>At 31st March 2012</b>	<b>719,767</b>	<b>444,102</b>	<b>54,419</b>	<b>46</b>	<b>11,002</b>	<b>35,244</b>	<b>1,264,580</b>	<b>87,504</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2011	(42,137)	(61,176)	(30,556)	0	(157)	0	(134,026)	0
Adjustments to Opening Balance	6	0	63	0	0	0	69	0
Depreciation	(12,786)	(10,477)	(5,925)	0	(83)	0	(29,271)	(34)
Disposals	1,040	5,272	1,837	0	195	0	8,344	0
Reclassifications	193	0	1	0	(194)	0	0	0
Revaluations	9,589	1,488	680	0	159	0	11,916	0
Impairments	(285)	902	0	0	0	0	617	0
Assets reclassified (to)/from Held for Sale	33	0	0	0	0	0	33	0
<b>At 31st March 2012</b>	<b>(44,347)</b>	<b>(63,991)</b>	<b>(33,900)</b>	<b>0</b>	<b>(80)</b>	<b>0</b>	<b>(142,318)</b>	<b>(34)</b>
<b>Balance Sheet Amount at 31st March 2012</b>	<b>675,420</b>	<b>380,109</b>	<b>20,521</b>	<b>46</b>	<b>10,921</b>	<b>35,244</b>	<b>1,122,261</b>	<b>87,470</b>
<b>Balance Sheet amount at 31st March 2011</b>	<b>683,681</b>	<b>292,495</b>	<b>23,416</b>	<b>46</b>	<b>10,313</b>	<b>29,007</b>	<b>1,038,958</b>	<b>1,342</b>

#### 6.16.2 Cumbria County Council Non Current Assets

	Operational Assets				Non - Operational Assets			PFI Assets Included in PPE £000
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Properties held for disposal £000	Assets Under Construction £000	Total £000	
<b>Cost or Valuation</b>								
At 1st April 2011	695,857	353,671	47,576	46	10,471	29,007	1,136,628	1,342
Additions	40,072	101,363	1,883	0	165	38,537	182,020	87,036
Disposals	(56,692)	(5,272)	(4,134)	0	(3,049)	(21)	(69,168)	0
Reclassifications	29,845	0	887	0	2,594	(32,279)	1,047	0
Revaluations	(19,561)	(5,660)	(228)	0	731	0	(24,718)	(874)
Impairments	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(350)	0	0	0	32	0	(318)	0
Adjustments re 2010/11	(17)	0	0	0	58	0	41	0
<b>At 31st March 2012</b>	<b>689,154</b>	<b>444,102</b>	<b>45,984</b>	<b>46</b>	<b>11,002</b>	<b>35,244</b>	<b>1,225,532</b>	<b>87,504</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2011	(20,229)	(61,176)	(25,745)	0	(157)	0	(107,307)	0
Depreciation	(11,838)	(10,478)	(5,139)	0	(84)	0	(27,539)	(34)
Disposals	1,040	5,272	1,837	0	195	0	8,344	0
Reclassifications	193	0	1	0	(194)	0	0	0
Revaluations	9,589	1,488	680	0	159	0	11,916	0
Impairments	(285)	902	0	0	0	0	617	0
Assets reclassified (to)/from Held for Sale	33	0	0	0	0	0	33	0
<b>At 31st March 2012</b>	<b>(21,497)</b>	<b>(63,992)</b>	<b>(28,366)</b>	<b>0</b>	<b>(81)</b>	<b>0</b>	<b>(113,935)</b>	<b>(34)</b>
<b>Balance Sheet Amount at 31st March 2012</b>	<b>667,657</b>	<b>380,109</b>	<b>17,620</b>	<b>46</b>	<b>10,921</b>	<b>35,244</b>	<b>1,111,597</b>	<b>87,470</b>
<b>Balance Sheet Amount at 31st March 2011</b>	<b>675,628</b>	<b>292,495</b>	<b>21,831</b>	<b>46</b>	<b>10,314</b>	<b>29,007</b>	<b>1,029,321</b>	<b>1,342</b>



**CUMBRIA COUNTY COUNCIL**  
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**6.16.3 Subsidiaries Non Current Assets**

Subsidiaries	Operational Assets				Non - Operational Assets		Total £000
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	Non operational Land & Buildings £000	Assets Under Construction £000	
<b>Cost or Valuation</b>							
At 1st April 2011	29,957	0	6,396	0	0	0	36,353
Adjustments to Opening Balance	(34)		(108)				(142)
Additions	793	0	2,186	0	0	0	2,979
Disposals	(103)	0	(39)	0	0	0	(142)
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
<b>At 31st March 2012</b>	<b>30,613</b>	<b>0</b>	<b>8,435</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,048</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 1st April 2011	(21,908)	0	(4,811)	0	0	0	(26,719)
Adjustments to Opening Balance	6		63				69
Depreciation & Impairment	(948)	0	(786)	0	0	0	(1,734)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
<b>At 31st March 2012</b>	<b>(22,850)</b>	<b>0</b>	<b>(5,534)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,384)</b>
<b>Balance Sheet Amount at 31st March 2012</b>	<b>7,763</b>	<b>0</b>	<b>2,901</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,664</b>
<b>Balance Sheet Amount at 31st March 2011</b>	<b>8,049</b>	<b>0</b>	<b>1,585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,634</b>

**6.17 Intangible Assets**

Intangible Assets	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000
	Authority		Subsidiaries		Total	
<b>Balance at Start of Year:</b>						
Gross carrying amount	18,440	18,647	25	150	18,465	18,797
Accumulated amortisation	(1,857)	(5,543)	(16)	(69)	(1,873)	(5,612)
<b>Net carrying amount at start of year</b>	<b>16,583</b>	<b>13,104</b>	<b>9</b>	<b>81</b>	<b>16,592</b>	<b>13,185</b>
Purchases	207	374	125	107	332	481
Revaluation increases or (decreases)	0	0	0	0	0	0
Amortisation for the year	(3,686)	(3,729)	(53)	(99)	(3,739)	(3,828)
<b>Net carrying amount at end of year</b>	<b>13,104</b>	<b>9,749</b>	<b>81</b>	<b>89</b>	<b>13,185</b>	<b>9,838</b>
Comprising:						
Gross carrying amount	18,647	19,021	150	257	18,797	19,278
Accumulated amortisation	(5,543)	(9,272)	(69)	(168)	(5,612)	(9,440)
	<b>13,104</b>	<b>9,749</b>	<b>81</b>	<b>89</b>	<b>13,185</b>	<b>9,838</b>

**CUMBRIA COUNTY COUNCIL**  
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**6.18 Debtors**

	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000
	<b>Authority</b>		<b>Subsidiaries</b>		<b>Total</b>	
<b>Debtors:</b>						
Central Government	15,312	8,057	0	50	15,312	8,107
Public Corporations	0	449	0	0	0	449
NHS	3,986	4,602	0	3	3,986	4,605
Other Local Authorities	2,813	3,376	0	318	2,813	3,694
Other Entities & Individuals	40,615	31,188	4,781	9,567	45,396	40,755
Accrued Interest	0	0	0	0	0	0
Less: Provision for Bad Debts	(8,011)	(8,304)	0	0	(8,011)	(8,304)
	54,715	39,368	4,781	9,938	59,496	49,306
<b>Prepayments:</b>						
Central Government	0	0	0	0	0	0
Public Corporations	2	477	0	0	2	477
Other Local Authorities	67	0	0	0	67	0
Other Entities & Individuals	11,005	4,043	3,415	2,638	14,420	6,681
	11,074	4,520	3,415	2,638	14,489	7,158
	65,789	43,888	8,196	12,576	73,985	56,464

**6.19 Short Term Investments**

	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000
	<b>Authority</b>		<b>Subsidiaries</b>		<b>Total</b>	
<b>Short Term Investments</b>						
Deposits with banks and other financial institutions	43,344	66,277	0	0	43,344	66,277
Deposit with Insurer	251	0	0	0	251	0
	43,595	66,277	0	0	43,595	66,277

**6.20 Creditors**

	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000
	<b>Authority</b>		<b>Subsidiaries</b>		<b>Total</b>	
<b>Creditors:</b>						
Central Government	6,979	7,010	3,294	2,593	10,273	9,603
Public Corporations	4	1,245	0	0	4	1,245
NHS	1,253	900	0	0	1,253	900
Other Local Authorities	4,712	3,685	0	390	4,712	4,075
Other Entities & Individuals	76,719	61,827	2,904	2,219	79,623	64,046
	89,667	74,667	6,198	5,202	95,865	79,869
<b>Income in advance:</b>						
Central Government	0	0	0	0	0	0
Public Corporations	0	0	0	0	0	0
Other Local Authorities	0	0	0	0	0	0
Other Entities & Individuals	0	0	0	786	0	786
	0	0	0	786	0	786
	89,667	74,667	6,198	5,988	95,865	80,655

# CUMBRIA COUNTY COUNCIL

## SECTION 6 - GROUP ACCOUNTING STATEMENTS

### 6.21 Long Term Borrowings

	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000	31st March 2011 £000	31st March 2012 £000
	<b>Authority</b>		<b>Subsidiaries</b>		<b>Total</b>	
<b>Long Term Borrowings</b>						
PWLB	290,200	290,200	0	0	290,200	290,200
Market Loans and Local Bonds	25,821	25,774	0	0	25,821	25,774
Local Authorities	0	0	0	0	0	0
Other Borrowings	0	0	0	0	0	0
	<b>316,021</b>	<b>315,974</b>	<b>0</b>	<b>0</b>	<b>316,021</b>	<b>315,974</b>

### 6.22 Provisions

	Balance at 1st April 2010 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2011 £000	Balance at 1st April 2011 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2012 £000
<b>Authority</b>								
Insurance Fund	3,400	632	0	4,032	4,032	539	0	4,571
Equal Pay/Voluntary Redundancy	4,677	6,947	(1,476)	10,148	10,148	444	(7,348)	3,244
<b>Subsidiaries</b>								
Restoration and aftercare of Landfill Sites	12,120	(731)	(398)	10,991	10,991	0	(689)	10,302
Deferred Taxation	144	0	(144)	0	0	8	0	8
	<b>20,341</b>	<b>6,848</b>	<b>(2,018)</b>	<b>25,171</b>	<b>25,171</b>	<b>991</b>	<b>(8,037)</b>	<b>18,125</b>

### 6.23 Summary of Group Reserves

	Cumbria County Council £000	Cumbria Waste Mgmt Group £000	Cumbria Capital Fund £000	Invest in Cumbria Ltd £000	Traveline Ltd £000	Inter Group Transactions £000	TOTAL £000
<b>Reserves</b>							
Capital	676,220	2,414	0	0	0	(2,414)	676,220
Financial Instruments Adjustment Account	(545)	0	0	0	0	0	(545)
Collection Fund Adjustment Account	1,535	0	0	0	0	0	1,535
Pensions	(513,534)	0	0	0	0	0	(513,534)
Accumulated absences account	(10,299)	0	0	0	0	0	(10,299)
Equal Pay Back Pay Account	0	0	0	0	0	0	0
Revenue - Earmarked	82,940	0	0	0	0	0	82,940
Revenue - General	15,756	10,709	0	0	0	(750)	25,715
Minority Interest	0	800	0	0	0	0	800
<b>TOTAL FUNDS</b>	<b>252,073</b>	<b>13,923</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,164)</b>	<b>262,832</b>

**CUMBRIA COUNTY COUNCIL**  
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**6.24 Notes to the Group Cash Flow Statement**

**6.24.1 Adjust Net Surplus / (Deficit) or Non Cash Movements**

2010/11 Restated £000		2011/12 £000
45,743	Net Group Surplus / (Deficit) on the Provision of Services	20,140
	<u>Adjust net surplus or (deficit) on provision of services for non cash movements</u>	
29,369	Depreciation	29,273
47,895	Revaluations downwards	22,746
3,686	Amortisation	3,828
(43)	Adjustments for effective interest rates	(47)
84	Increase/Decrease in Interest Creditors	(193)
1,031	Increase/(Decrease) in Creditors	(18,409)
(250)	Increase/(Decrease) in Interest and Dividend Debtors	67
3,768	(Increase)/Decrease in Debtors	7,921
(718)	(Increase)/Decrease in Inventories	(305)
(47,551)	Pension Liability	7,056
4,830	Contributions to Provisions	(7,046)
32,867	Carrying Amount of non current assets sold	61,466
0	Impairments / Revaluations Reversed	0
<b>74,968</b>		<b>106,357</b>
	<u>Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities</u>	
(71,114)	Capital grants credited to surplus or (deficit) on the provision of services	(78,995)
(2,477)	Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(5,272)
0		0
<b>(73,591)</b>		<b>(84,267)</b>
<b>47,120</b>	<b>Net Cash Flow from Operating Activities</b>	<b>42,230</b>

**6.24.2 Operating Activities – Interest**

2010/11 Restated £000	Operating Activities within the Cash Flow Statement include the following cash flows related to interest	2011/12 £000
(1,641)	Interest Received	(1,715)
14,714	Interest Paid	17,462
0	Dividends received	0
<b>13,073</b>	<b>Total</b>	<b>15,747</b>

**6.24.3 Cash Flows from Investing Activities**

2010/11 Restated £000		2011/12 £000
(104,446)	Purchase of PPE, Investment property and intangible assets	(103,028)
(110,975)	Purchase of short term and long term investments	(386,400)
0	Long Term Debtors	0
2,477	Proceeds from the sale of PPE, Investment property and intangible assets	5,272
104,124	Proceeds from short term and long term investments	363,651
76,402	Other receipts from investing activities	79,125
<b>(32,418)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(41,380)</b>

**CUMBRIA COUNTY COUNCIL**  
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**6.24.4 Cash Flows from Financing Activities**

2010/11 Restated £000		2011/12 £000
30,000	Cash receipts of short term and long term borrowing	(10,000)
0	Other receipts from financing events	0
(857)	Appropriation to / from Collection Fund adjustment account	(519)
0	Payments for the reduction on PFI liability	(5,727)
(5,884)	Payments for the reduction on finance liability	(5,627)
<b>23,259</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(21,873)</b>

**6.24.5 Make Up of Cash and Cash Equivalents**

2010/11 Restated £000		2011/12 £000
28,941	Cash and Bank balances	19,662
61,661	Cash Investments - regarded as cash equivalents	48,444
(7,583)	Bank overdraft	(6,110)
<b>83,019</b>	<b>Total</b>	<b>61,996</b>

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The Statement of Accounts for the Cumbria Local Government Pension Scheme is presented in its entirety and separately from the General Fund in the Cumbria County Council's Accounts, in keeping with its significance and the fact that, although the County Council is the administering authority, the Scheme covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria Local Government Pension Scheme (LGPS) summarise the Scheme's transactions for the financial year 2011/12 financial year and the position at the year-end date, 31st March 2012. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in Note 23 'Actuarial Position of the Fund'.

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**7.1 THE FINANCIAL STATEMENTS**

**PENSION FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012**

	Notes	2010/11		2011/12	
		£000's	£000's	£000's	£000's
<b>Dealings with members, employers and others directly involved in the fund</b>					
Contributions	3		85,211		69,709
Transfers in from other pension funds	4		5,553		5,572
			<b>90,764</b>		<b>75,281</b>
Benefits	5		(62,695)		(73,332)
Payments to and on account of leavers	6		(5,122)		(4,586)
Administrative expenses	7		(1,352)		(1,204)
			<b>(69,169)</b>		<b>(79,122)</b>
Net additions / (deductions) from dealing with members			<b>21,595</b>		<b>(3,841)</b>
<b>Returns on investments</b>					
Investment Income		25,638		27,289	
Taxes on Income		(348)		(416)	
Net investment income	8	25,290		26,873	
Profit and losses on disposal of investments and changes in the market value of investments	10(d)	77,537		46,744	
Investment management expenses	9	(2,915)		(3,285)	
Net return on investments			<b>99,912</b>		<b>70,332</b>
<b>Net increase in the net assets available for benefits during the year</b>			<b>121,507</b>		<b>66,491</b>
<b>Net assets at the start of the year</b>			<b>1,278,420</b>		<b>1,399,927</b>
<b>Net assets at the end of the year</b>			<b>1,399,927</b>		<b>1,466,418</b>



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**NET ASSET STATEMENT AS AT 31st MARCH 2012**

	Notes	31 March 2011	31 March 2012
		£'000	£'000
Investment assets		1,381,026	1,454,106
Investment liabilities		(3,763)	(285)
Total net investments	10	<b>1,377,263</b>	<b>1,453,821</b>
Long term assets	12a	3,009	2,651
Current assets	12b	25,177	15,021
Long term liabilities	13a	(446)	(424)
Current liabilities	13b	(5,076)	(4,651)
<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>1,399,927</b>	<b>1,466,418</b>

**CUMBRIA LOCAL GOVERNMENT PENSION SCHEME**  
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**7.2 NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 (a): DESCRIPTION OF THE FUND**

The Purpose of the Scheme is:-

- to pay out monies in respect of scheme benefits (pensions), transfer values, cost, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2008 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- to receive monies in respect of contributions, transfer values and investment income, and
- to invest all receipts and, whilst balancing both risk and return, consistently out perform against the Scheme's benchmark over the longer term.

Through strategic investment of the Schemes' assets the aims of the Cumbria Local Government Pension Scheme are:-

- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies;
- to manage employers' liabilities effectively;
- to ensure that sufficient resources are available to meet all liabilities as they fall due;
- to maximise the returns from investments within reasonable risk parameters, and
- to close the scheme deficit by 2032.

Scheme membership is open to:-

- all local government employees within the County who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, Fire Service uniformed personnel and police officers).
- membership is also open to other eligible employees of employer members of the scheme (usually this includes employers to whom contracts have been awarded for the provision of services).

All local government employees (except casual workers) are automatically entered into the scheme. Employees may opt out at any point in time if they so choose.

Membership of the scheme at 31st March 2012 was made up as follows:

Contributors/Actives:	16,500
Pensioners:	13,200
Deferred Pensioners:	16,000
<b>TOTAL</b>	<b>45,700</b>

At 31st March 2012 there are 105 (2010/11: 86) employer bodies in the Cumbria LGPS (for the full list see note 25).

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**NOTE 1 (b): ACTIVITY AND PERFORMANCE DURING 2011/12**

During the year to 31st March 2012 the Cumbria LGPS Scheme value increased by £66.491m from £1,399.927m (31/03/11) to £1,466.418m (31/03/12). The best performing assets over the year were bonds, in particular UK corporate bonds and index-linked bonds which made strong gains of 12% and 18% respectively. In contrast, the value of UK equity increased by only 1.4% (FTSE All Share) and global equities increased by 0.5% (FTSE World).

The LGPS average scheme investment return for 2011/12 was 2.6% (measured by the WM Company). Cumbria ranked in the top quartile at 13th out of 100, with the Cumbria LGPS's return at 5.3% being significantly above the average. This out performance is set in the context of volatility across world financial markets during the period. This return, in the main, is attributed to the scheme's primary asset allocation between bonds (33%) and growth assets (equities, property, alternatives etc) (66%). The Cumbria LGPS has an asset allocation to bonds which is higher than the average for LGPS (Cumbria's 33%; the average LGPS 18%) This strategy has been a major contributing factor to the Scheme's increase in value during 2011/12.

The Scheme's three-year return underperformed the fund benchmark by 0.3% (per year). Over the longer term of ten years the Scheme return was behind the benchmark showing a marginal underperformance of 0.1% per year.

Pension schemes are by their nature, long term investment vehicles and when considering fund performance the focus is on the longer term. While disappointing in absolute terms, recent returns must be seen in the context of the prevailing market volatility throughout the period viewed in comparison to the Scheme's peers.

The table below shows that, while the Scheme has marginally unperformed against its specific investment return benchmark, Cumbria LGPS performance over the mid (5 years) to longer term (10 years) ranks within the top 50% of Local Government Schemes in the country.

	<b>One Year to 31st March 2012 %</b>	<b>3 Years to 31st March 2012 %</b>	<b>5 Years to 31st March 2012 %</b>	<b>10 Years to 31st March 2012 %</b>
Fund Return	5.3	13.4	3.7	5.7
Cumbria's own benchmark	6.5	13.7	4.0	5.8
WM Local Authority Universe return average	2.6	14.5	3.2	5.7
Ranking 1 to 100 in Local Authority Universe	13th	80th	36th	39th

The Cumbria LGPS Business Plan 2011/12 included investment performance targets such as those outlined above and administrative performance targets. The broad aim of the administrative targets were to; improve customer service through development of the shared service with YPS (Your Pension Service) which commenced in February 2011, and to deliver material cost savings across a range of contracts through which professional services are provided to the Scheme.

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Significant improvements have been made in most areas. This has placed the Scheme on a stable platform which will help to ensure it is best placed to help deliver all the changes that will be required throughout 2012/13.

The key activities undertaken in 2011/12 are as follows:

- completed an in-depth review of the Scheme's Investment Strategy and core objectives. The implementation of the changes in asset allocation are ongoing and will be progressed throughout 2012/13.
- completed the transition of £79.9m in assets from fixed interest to index-linked gilts.
- through a shared procurement exercise with Lancashire LGPS and Merseyside LGPS re-tendered the provision of actuarial services achieving both service enhancements and cost savings.
- terminated the relationship with the previous corporate bond manager. The assets were smoothly and efficiently transitioned to the Scheme's passive manager whilst a procurement process is undertaken to appoint a new manager. This procurement process is at the final selection stage and is due to be completed in July 2012. This transition was deferred for a short while so as to enable time to reconsider the mandate previously chosen i.e. "Buy and Hold". When considered in line with the full strategy review this was still deemed to be the most appropriate bond strategy.
- monitored and reviewed both the performance of the Scheme as a whole and the individual Investment Managers.
- published the Pension Scheme Annual Report and Accounts 2010/11 in accordance with the new IFRS regulations. This activity involved a substantial revision to help improve the readability to our members and interested parties.
- held seven pensions surgeries at six locations throughout the County, seeing over 600 scheme members.
- managed the introduction to the Cumbria LGPS of eighteen new academies as individual employers.
- successfully managed the additional workload resulting from the unprecedented workforce restructuring undertaken by many of the scheme's larger employers.
- despite the unprecedented workloads, all primary performance targets were achieved by YPS.

Looking forward 2012/13 is forecast to be a busy year for Local Government Pension Schemes as they respond to changes in benefits structures that are being finalised nationally. This will involve the need for preparatory work as the changes will impact on several different aspects of the Scheme. The Cumbria LGPS will also undertake the following:-

- facilitate the additional workloads resulting from the proposed changes to the scheme benefits structure that are currently being consulted upon nationally.
- prepare and consult with scheme employers and employees in readiness for the introduction of "auto enrolment".
- prepare for the Triennial Actuarial Valuation due 31st March 2013.
- complete changes to the Scheme's asset allocations agreed through the 2011/12 Investment Strategy Review. This will include procurement

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to appoint a new corporate bond manager, new equities managers and infrastructure managers.

The Annual Report and Accounts gives further details of the Scheme's performance, management structure and investment news. The Annual Report and Accounts 2011/12 will be published on-line when finalised at [www.cumbria.gov.uk/finance](http://www.cumbria.gov.uk/finance), where the previous year's report is also available.

**NOTE 1 (c): CHANGES TO COMPARATIVE HEADINGS**

The following adjustments have been made to comparative figures shown in the Pension Fund Account and the Net Asset Statement to reflect their categorisation in these statements in accordance with the refreshed format of the 2011/12 statements:

2010/11 Heading :	2010/11 £000	2011/12 Heading:	2010/11 £000 restated
Other Income - Interest on Internal Cash	19	Investment income - bank interest	22
Investment income - Cash deposit	3		
	22		
Other payments - Bad debts written off	(3)	Administrative Expenses	1,352
Administrative Expenses	1,251	Investment Management Expenses	2,915
Investment Management Expenses	3,019		4,267
	4,267		
Investment Debtors	6,880	Long-term Assets	3,009
Debtors	19,637	Current Assets	25,177
Cash at bank	1,669		28,186
	28,186		
Investment Creditors	(3,343)	Long-term liabilities	(446)
Creditors	(2,179)	Current liabilities	(5,076)
	(5,522)		(5,522)
Investment Assets:			
Pooled Investment Unit Trusts - Quoted	30,026	Pooled Investment Unit Trusts - Quoted	43,463
Pooled Investment Managed Funds - Property	8,548	Pooled Property Funds - Unquoted	8,548
Pooled Investment Managed Funds - Other	110,487	Pooled Other Managed Funds - Unquoted	97,050
	149,061		149,061
Unquoted Investments:		Note 14(a) Unquoted Investments:	
Pooled Investment Managed Funds	119,035	Pooled Investments Other Managed Funds	105,598

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

There have been no changes to accounting policies in 2011/12.

**Fund account – revenue recognition**

**2.1. Contribution Income**

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Scheme actuary in the payroll period to which they relate.

Extra contributions from employers are accounted for in line with the agreement under which they are paid or, if there is no agreement, when we receive them. Where an employer leaves the scheme, any contribution required on closure is accrued for in the year of departure. (See note 3 for further details).

**2.2. Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Scheme during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 4 and 6).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see 2.14) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 4).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

**2.3. Investment income (note 8)**

- a) Interest income: is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- b) Dividend income: is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- c) Distributions from pooled funds: are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- d) Property-related income: consists primarily of rental income. This is recognised on an accruals basis.
- e) Movements in the net market value of investments: changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year. (See note 10(d)).

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**Fund account – expense items**

**2.4. Benefits payable (note 5)**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

**2.5. Taxation**

The Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Scheme expense as it arises, and is shown on the Fund Account as 'Taxes on income'.

**2.6. Administrative expenses (note 7)**

All administrative expenses are accounted for on an accruals basis. All staff costs of the County Council's pensions team are charged direct to the Scheme. Management, accommodation and other overheads are apportioned to the Scheme in accordance with Council policy.

**2.7. Investment management expenses (note 9)**

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Scheme has negotiated with two of its Investment Managers that an element of their fee will be performance related. Neither achieved the required outperformance during the year and as such none has been paid in 2011/12.

The cost of obtaining investment advice from external consultants is included in investment management charges.

**Net assets statement**

**2.8. Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Scheme becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Scheme.

The independent custodian, State Street Bank and Trust, values the assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level (zero tolerance for equities and 5% tolerance for bonds) are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investments as shown in the net assets statement have been determined as follows:

- a) Market-quoted investments: The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- b) Fixed interest securities: Fixed interest securities are recorded at net market value based on their current yields.
- c) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
  - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Scheme expects to receive on wind-up, less estimated realisation costs. There is one such investment at 31st March 2012 valued at £0.894m, (see note 14 'Unquoted investments').
  - Directly held investments include investment in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools of directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement. (See note 14).
  - Investments in private equity funds and unquoted limited partnerships are valued based on the Scheme's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. (See note 14).
- d) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.



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- e) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on Pooled investment vehicles see note 10(a).
- f) Freehold and leasehold properties: The properties are valued at open market value at 31st March 2012 by an independent valuer, CB Richard Ellis, Chartered Surveyors, 77 Grosvenor Street, London, in accordance with the Royal Institute of Chartered Surveyors' *Valuation Standards (6<sup>th</sup> edition)*. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms. For further information on Investment Properties see note 10(b).
- g) Loans and receivables: these are non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market. Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost basis i.e. principal amount adjusted for any interest payable / receivable at the year end date.

## **2.9. Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. State Street Bank and Trust value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31st March.

## **2.10. Derivatives**

The Scheme uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Scheme does not hold derivatives for speculative purposes.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using the WM/Reuters 4pm closing spot/forward rates. Derivatives are covered in more detail in note 10(c).

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**2.11. Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

**2.12. Financial liabilities**

The Scheme recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Scheme becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Scheme.

**2.13. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Scheme has opted to disclose the actuarial present value of promise retirement benefits by way of a note to the net assets statement (see note 23).

**2.14. Additional voluntary contributions**

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Scheme currently has two appointed AVC providers: Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it stopped accepting new business.

Employees / contributors AVCs are paid over to one of the two providers by the Schemes employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (see note 15).

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**NOTE 3: CONTRIBUTIONS**

Benefits (see Note 5) are funded by contributions and investment earnings. Contributions are made by active members of the Scheme in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007. Employers' contribution rates are based on triennial actuarial funding valuations (see note 23).

Contribution rates are as follows:

- Employees - range from 5.5% to 7.5% of pensionable pay dependent on the full-time salary of the member.
- Employers - range from 7.9% to 48.2% of pensionable pay. Individual employer rates are set by the actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances; this includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Scheme Actuary in relation to the employer's covenant and membership profile.

The following table analyses the amount of total contributions receivable in the year, by category and by employer type:

By Category	2010/11 £'000	2011/12 £'000
Employer contributions to the fund	67,684	53,682
Employee contributions to the fund	17,527	16,027
	<b>85,211</b>	<b>69,709</b>
By Employer Type	2010/11 £'000	2011/12 £'000
Scheduled bodies	65,218	63,485
Admitted bodies	19,993	6,224
	<b>85,211</b>	<b>69,709</b>

Included in the scheduled bodies figure in the above table are administering authority contributions of £38.701m (£40.678m 2010/11).

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The employer contributions to the Scheme were unusually large for 2010/11. This was due to two large capital payments from employers on exit from the Scheme:

- Capita (an admitted body) - exited the Scheme as their contract for the provision of services to the public sector in Cumbria came to an end and therefore eligibility to be members of the Cumbria LGPS ceased. An estimated capital payment of £10.211m was recognised in 2010/11 to offset their expected deficit at that time. On the provision of final membership data the final deficit was calculated at £9.160m and payment was received in full during 2011/12.
- Cumbria Magistrates Courts (a scheduled body) - income of £3.285m from the Ministry of Justice was recognised in 2010/11. This relates to the transfer of the duties for the Magistrates Courts from Local Government to central government. The Ministry of Justice are paying annual instalments of £0.328m until 2020 to disburse this liability (see note 12). As this transfer of responsibility affected many schemes within the LGPS the basis of this termination was agreed nationally.

In addition to normal contributions and capital payments from employers exiting the scheme the contributions figure also includes the costs of pension strain arising from non ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the actuary). These contributions are recognised in line with the agreement with the employer if there is no agreement, when the Scheme receives them.

Cumbria County Council is the only scheme employer who, in agreement with the Actuary, opted, from 1<sup>st</sup> April 2011, to make an additional employer contribution. The Scheme is at no disadvantage from this practice as the rate as determined by the Actuary includes an element for interest. The additional employer contribution from the County Council is to be used to offset the one-off costs of workforce restructuring to be undertaken in response to reductions in annual budgets. It is anticipated that this period of workforce reduction and restructuring will continue in the medium term. The additional contribution from Cumbria County Council will fund an allowance of up to £8m for non ill-health early retirements.

Ill-health early retirements: Cumbria County Council also has a voluntary arrangement whereby part of the actuarial strain of ill-health retirements is paid immediately. Details of this and all other Cumbria LGPS employer's policies are contained in the full Actuarial Valuation Report as at 31st March 2010, available on the County Council's website, at [www.cumbria.gov.uk/finance](http://www.cumbria.gov.uk/finance).

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**NOTE 4: TRANSFERS IN FROM OTHER PENSIONS**

Transfers in to the scheme have been made by individual members, where they decide to bring pensions benefits accrued from previous employment into their LGPS pension.

	2010/11 £'000	2011/12 £'000
Individual transfers	5,553	5,572
	<b>5,553</b>	<b>5,572</b>

**NOTE 5: BENEFITS**

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. Members have access to one or both of the two schemes depending upon their employment i.e. whether their employment was pre and / or post 1<sup>st</sup> April 2008. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service Post 1 April 2008
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	Each year worked is worth 3/80 x final pensionable salary.  In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.  Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The table following analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	2010/11 £'000	2011/12 £'000
Net pensions paid	46,673	51,415
Net lump sum on retirement	14,011	20,103
Net lump sum on death	2,011	1,814
	<b>62,695</b>	<b>73,332</b>
By Employer Type	2010/11 £'000	2011/12 £'000
Scheduled bodies	58,044	68,534
Admitted bodies	4,651	4,798
	<b>62,695</b>	<b>73,332</b>

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Included in the scheduled bodies figure in the above table are administering authority benefits of £41.753m (£33.042m 2010/11).

The unusually large value of lump sum payments in 2011/12 reflects the amount of restructuring taking place currently as most Scheme employers within the LGPS seek to address reducing funding. Most employers within the Scheme have chosen to offer voluntary redundancy programmes, which by their nature tend to appeal to individuals whom are aged over 55 and are therefore entitled to access their pension. As such this has resulted in much higher than usual volumes of early retirements. It is anticipated that this trend may continue for the next couple of years.

**NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	2010/11 £'000	2011/12 £'000
Refund of contributions	4	5
Individual transfers to other Schemes	5,118	4,581
	<b>5,122</b>	<b>4,586</b>

**NOTE 7: ADMINISTRATIVE EXPENSES**

Officers employed by the County Council support the administration of the Scheme. Employee time spent working on the Scheme and their associated costs e.g. office space and information technology are charged to the Scheme. In addition the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pensions administration services, provided by YPS, are charged to the Scheme. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of administrative expenses are as follows:

	2010/11 £'000	2011/12 £'000
Employee costs	323	294
Support services, including Pensions Administration	859	807
Printing and publications	4	1
Pension fund committee	7	2
External audit fees	45	37
Internal audit fees	10	10
Actuarial fees	104	53
	<b>1,352</b>	<b>1,204</b>

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Investment management expenses are shown separately from Scheme administration in the Fund Account and are analysed in Note 9. Material variations on administrative spend between years include:-

- Employee costs were higher in 2010/11 due to the one-off project implementation costs incurred in the transfer of the pension's administration services and complementary streamlined in-house processes. The transfer of administration services to YPS in February 2011 (a shared service with Lancashire County Council) has resulted in ongoing savings in pension administration costs and given improved reporting and additional functionality.
- Pensions Administration costs were reduced in 2011/12 on the transfer of administration provision to YPS.
- Printing Costs - the change in provider also enabled the reduction in printing costs by the greater use of electronic payment methods and website usage through further joint-working on information production.
- Actuarial fees for 2010/11 were higher as the triennial valuation was undertaken in 2010/11.

#### **NOTE 8: NET INVESTMENT INCOME**

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £26.873m (2010/11: £25.290m), net of £0.416m (2010/11: £0.3m) irrecoverable tax on dividends, and including stock lending income of £0.087m (2010/11: £0.055m), can be analysed as follows:

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Interest from fixed interest securities	6,313	1,144
UK dividends	4,870	7,140
Overseas dividends	8,221	8,943
Distributions from pooled investment vehicles	371	3,385
Net rental income from investment properties (see note 10(b))	5,493	6,239
Bank Interest	22	22
	<b>25,290</b>	<b>26,873</b>

The Scheme's Investment Strategy is undergoing a full review and in order to gain more stable returns from fixed interest securities, the Scheme will be appointing a new corporate bond manager in 2012/13. The marked decrease in interest from fixed interest securities in 2011/12 was a result of the fixed interest bond mandate being transferred in June 2011 into pooled investment vehicles with the Scheme's passive manager. The interest from the underlying investments of an index-tracking fund is reinvested and benefits the valuation of the funds, rather than income returns.

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Equity markets dividend payments can fluctuate greatly between years but in times of market volatility, such as has been experienced over the last 18 months, the fund managers tend to favour safer “value” companies that offer more stable dividend income. This was demonstrated by the increase in the returns earned from dividends during 2011/12.

**NOTE 9: INVESTMENT MANAGEMENT EXPENSES**

	2010/11 £'000	2011/12 £'000
Fund management fees	2,668	3,038
Custody fees	148	121
Performance monitoring service	27	31
Investment consultancy fees	72	95
	<b>2,915</b>	<b>3,285</b>

Investment Manager fees are higher in 2011/12 than in 2010/11 as the Scheme had benefited from a period of a negotiated reduced manager fee due to previous underperformance, this ceased in March 2011 and fees have now reverted to more average levels.



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**NOTE 10: INVESTMENT ASSETS**

	Notes	31 March 2011			31 March 2012		
		UK	Overseas	Total	UK	Overseas	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Investment Assets</u></b>							
<b>Equities</b>							
Equities - quoted		188,123	318,686	<b>506,809</b>	182,391	304,596	<b>486,987</b>
Equities - unquoted		707	-	<b>707</b>	894	-	<b>894</b>
		188,830	318,686	<b>507,516</b>	183,285	304,596	<b>487,881</b>
<b>Fixed interest securities</b>							
Public Sector/Government - quoted		62,682	-	<b>62,682</b>	-	-	<b>-</b>
Corporate bonds - quoted		53,810	8,970	<b>62,780</b>	-	-	<b>-</b>
Corporate bonds - unquoted		-	2,144	<b>2,144</b>	-	-	<b>-</b>
		116,492	11,114	<b>127,606</b>	-	-	<b>-</b>
<b>Pooled investment vehicles</b>							
Pooled investments - quoted		26,083	17,380	<b>43,463</b>	17,444	18,503	<b>35,947</b>
Pooled investments - unquoted		578,635	27,100	<b>605,735</b>	742,326	79,380	<b>821,706</b>
	10(a)	604,718	44,480	<b>649,198</b>	759,770	97,883	<b>857,653</b>
<b>Investment properties</b>							
Freehold		71,300	-	<b>71,300</b>	74,575	-	<b>74,575</b>
Long leasehold		12,985	-	<b>12,985</b>	19,050	-	<b>19,050</b>
Short leasehold		-	-	<b>-</b>	-	-	<b>-</b>
	10(b)	84,285	-	<b>84,285</b>	93,625	-	<b>93,625</b>
<b>Derivative contracts</b>	10(c)	631	-	<b>631</b>	2,999	-	<b>2,999</b>
<b>Cash Deposits</b>		7,705	4,085	<b>11,790</b>	8,611	3,337	<b>11,948</b>
		1,002,661	378,365	<b>1,381,026</b>	1,048,290	405,816	<b>1,454,106</b>
<b><u>Investment liabilities</u></b>							
<b>Derivative contracts</b>	10(c)	(3,763)	-	<b>(3,763)</b>	(285)	-	<b>(285)</b>
<b>Total Net Investments</b>		998,898	378,365	<b>1,377,263</b>	1,048,005	405,816	<b>1,453,821</b>

No fixed interest securities were held at 31st March 2012 as the fixed interest bond mandate with the previous manager was discontinued in June 2011, as part of the strategy review. The holdings were transferred into pooled investments while a full procurement process can be undertaken to appoint a new manager expected to be completed in July 2012.

Note 10(a) details the pooled investments including index-tracking funds, unit trusts and alternatives funds.

Note 10(b) details the Scheme's property portfolio.

Note 10(c) details the derivative contracts above; these are forward foreign exchange contracts held at 31st March, shown as assets where there is a gain and liabilities where there is a loss on the individual contracts at 31st March.

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**NOTE 10(a): POOLED INVESTMENT VEHICLES**

The Schemes largest holding is the unitised insurance policies with Legal and General totalling £709.8m, shown in the following table categorised into the underlying asset types. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity.

The investment managers may also choose to invest in managed funds such as unit trusts as a preferred method of investing in smaller asset classes or less easily accessed markets.

	2010/11 £'000	2011/12 £'000
<b>Unitised insurance policies - unquoted</b>		
UK equities	157,026	185,890
Overseas equities	27,100	55,023
UK public sector bonds	24,248	0
UK corporate bonds	139,038	234,510
UK index-linked securities	152,725	234,361
	<b>500,137</b>	<b>709,784</b>
<b>Unit trusts</b>		
UK - quoted	26,083	17,444
Overseas - quoted	17,380	15,961
	<b>43,463</b>	<b>33,405</b>
<b>Other Managed funds</b>		
Pooled property REIT's - quoted	0	2,542
Pooled property funds - unquoted	8,548	10,734
Other managed funds - unquoted	97,050	101,188
	<b>105,598</b>	<b>114,464</b>
<b>Total</b>	<b>649,198</b>	<b>857,653</b>

Corporate bond securities have increased at 31st March 2012, as the fixed interest bond mandate was discontinued in June 2011 and the holdings transferred into pooled investments while a full procurement process is undertaken to appoint a new manager. As part of the Strategy Review the Scheme also took the opportunity, offered through advantageous pricing differentials, to move all its fixed interest gilts into index-linked gilts thereby removing the Scheme's interest rate exposure in this area.

**NOTE 10(b): INVESTMENT PROPERTIES**

The Scheme invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the investment portfolio. At 31st March 2012 the portfolio valued at £93.625m included 27 properties ranging from £1.150m to £7.450m each. These properties cover a mix of sectors such as offices, industrial, high street retail units and retail warehouses, and are also geographically spread across

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England and Scotland; the intention of this spread is to mitigate risk by enhancing the diversification within this asset class.

‘Net rental income from investment property’ has been accounted for in the Fund Account under ‘Net Investment Income’ and is analysed as follows:

	2010/11 £'000	2011/12 £'000
Rental income from investment property	5,720	6,471
Direct operating expenses arising from investment property	(227)	(232)
	<b>5,493</b>	<b>6,239</b>

The improved rental income between years reflects inflationary rent uplifts and an increase in the occupancy of properties rented.

There are no restrictions on the Scheme's ability to realise the value inherent in its investment property or on the Scheme's right to the remittance of income and the proceeds of disposal. The properties are held directly and the Scheme is entitled to all income and capital proceeds. The Scheme has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such properties. The Scheme has one property under offer at the year-end as a future purchase, but there is no contractual obligation to purchase at that date.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £'000	2011/12 £'000
<b>Balance at the start of the year</b>	<b>74,075</b>	<b>84,285</b>
Additions:		
Purchases	11,236	15,472
Subsequent expenditure	179	1,038
<b>Disposals</b>	<b>(5,013)</b>	<b>(6,624)</b>
Net gains/(losses) from fair value adjustments	3,808	(546)
<b>Balance at the end of the year</b>	<b>84,285</b>	<b>93,625</b>

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**NOTE 10(c): DERIVATIVES**

One way for pension Schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for investors in LGPS to hedge 50% of their foreign currency exposure to mitigate the effect any adverse currency movements would have at the time of the realisation of the investment.

The Cumbria LGPS has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

The Scheme holds 98 individual open forward foreign exchange contracts, which can be summarised as follows:

Currency Bought		Currency Sold		2011/12	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
<b>Settlement within one month</b>					
AUD	4,211	USD	(4,468)		(71)
GBP	57	SGD	(114)	0	
GBP	2,008	USD	(3,172)	23	
HKD	69,365	USD	(8,944)		(6)
SEK	21,639	USD	(3,246)	8	
SGD	10,562	USD	(8,406)		(4)
USD	800	CAD	(798)	1	
USD	1,587	CHF	(1,447)		(9)
USD	150	DKK	(845)		(1)
USD	12,783	EUR	(9,655)		(47)
USD	7,956	JPY	(625,619)	221	
USD	1,445	NOK	(8,222)	3	
<b>Settlement one to six months</b>					
GBP	56,723	EUR	(67,891)	76	
GBP	24,085	JPY	(3,136,034)	201	
GBP	170,810	USD	(269,079)	2,314	
USD	3,677	AUD	(3,482)	76	
USD	3,576	BRL	(6,511)	76	
USD	3,328	EUR	(2,586)		(74)
USD	4,021	GBP	(2,591)		(73)
				<b>2,999</b>	<b>(285)</b>
<b>Net forward currency contracts at 31 March 2012</b>				<b>2,714</b>	

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**NOTE 10(d): PROFIT AND LOSSES ON DISPOSAL OF INVESTMENTS  
AND CHANGES IN THE MARKET VALUE OF INVESTMENTS**

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments, and cash transfers from and to the Administering Authority.

The table below reconciles the movements in investments and derivatives ('Total net investments') for the current year:

2011/12:

Asset Class	Value at 1 April 2011 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Value at 31 March 2012 £'000
Fixed interest securities	127,606	84	(130,417)	2,815	(88)	0
Equities						
UK equities	188,830	36,969	(31,018)	(1,391)	(10,105)	183,285
Overseas equities	318,686	142,258	(137,211)	4,899	(24,036)	304,596
	507,516	179,227	(168,229)	3,508	(34,141)	487,881
Pooled investment vehicles	500,137	277,746	(142,200)	30,595	43,506	709,784
Unit Trusts	43,463	8,505	(14,467)	294	(4,390)	33,405
Managed funds	105,598	48,676	(41,593)	1,894	(111)	114,464
Property (See Note 10b)	84,285	16,510	(6,624)	1,884	(2,430)	93,625
Derivatives (forward foreign exchange contracts)	(3,132)	26,466	(24,028)	(99)	3,507	2,714
	1,365,473	557,214	(527,558)	40,891	5,853	1,441,873
Cash	11,790					11,948
<b>Total Net Investments</b>	<b>1,377,263</b>					<b>1,453,821</b>

Analysis of gains/(losses) for the year	2011/12 £'000
Realised - Profit and losses on disposal of investments	40,891
Unrealised - Changes in the market value of investments	5,853
	<b>46,744</b>

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The following table reconciles the movements in investments and derivatives for the previous year:

2010/11:

Asset Class	Value at 1 April 2010	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Realised gains/(losses )	Unrealised gains/(losses)	Value at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed interest securities</b>	117,698	256,418	(247,944)	1,623	(189)	127,606
<b>Equities</b>						
UK equities	171,495	32,470	(29,219)	6,318	7,766	188,830
Overseas equities	291,943	147,388	(138,089)	14,917	2,527	318,686
	463,438	179,858	(167,308)	21,235	10,293	507,516
<b>Pooled investment vehicles</b>	458,885	93,611	(86,402)	25,074	8,969	500,137
<b>Unit Trusts</b>	25,588	17,875	-	-	-	43,463
<b>Managed funds</b>	110,026	116,177	(122,809)	6,375	(4,171)	105,598
<b>Property</b>	74,075	11,415	(5,013)	288	3,520	84,285
<b>Derivatives (forward foreign exchange contracts)</b>	3,464	851	(11,967)	13,278	(8,758)	(3,132)
	1,253,174	676,205	(641,443)	67,873	9,664	1,365,473
<b>Cash</b>	14,736					11,790
<b>Total Net Investments</b>	1,267,910					1,377,263

Analysis of gain/(loss) for the year	2010/11 £'000
Realised - Profit and losses on disposal of investments	67,873
Unrealised - Changes in the market value of investments	9,664
	77,537

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and any other trading fees. Transaction costs incurred during the year amounted to £0.293m, which is 0.03% of the purchases and sales proceeds (for comparison the costs in 2010/11 were £0.346m, 0.03% of trades).

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles i.e. the difference between the offered selling price and the purchase price for investments. As is general convention managers do not separately report to the Scheme the make up of indirect costs.

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**NOTE 10(e): INVESTMENTS ANALYSED BY FUND MANAGER**

Manager	Asset Class	31 March 2011		31 March 2012	
		£'000	%	£'000	%
Legal & General Policy No. 1	Equities and bonds	347,412	25.2%	475,423	32.7%
Legal & General Policy No. 2	Index-linked bonds	152,725	11.1%	234,361	16.1%
GMO UK	Overseas equities	185,350	13.5%	180,136	12.4%
Schroders Investment Management	UK equities	182,962	13.3%	179,076	12.3%
Newton Investment Management	Global equities	170,288	12.4%	162,456	11.2%
BlackRock	Alternatives	121,389	8.8%	124,121	8.5%
Aberdeen Property Investors	Direct property	88,398	6.4%	95,924	6.6%
Legal & General Passive Currency	Currency overlay	(1,399)	-0.1%	2,324	0.2%
Insight Investments	Bonds	130,138	9.4%	0	0.0%
<b>Total Net Investments</b>		<b>1,377,263</b>	<b>100.0%</b>	<b>1,453,821</b>	<b>100.0%</b>

**NOTE 10(f): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE SCHEME**

It is a requirement of the Pensions SORP and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The only occurrences of this within the Cumbria Scheme are the two unitised insurance policies held with Legal and General. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the underlying asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required. The value of these investments was temporarily increased during 2011/12 when the assets of the terminated Corporate Bond mandate were transferred into them. This is a temporary measure while a procurement process is undertaken to secure a new manager and is deemed to be the most efficient and lowest risk option available.

Holding	31 March 2012 £'000	% of Total Fund
Policy 1 Legal and General UK Equity Index	185,890	12.8%
Policy 1 Legal and General AAA Over 15yr Index	119,327	8.2%
Policy 1 Legal and General Investment Grade Corporate Bond All Stocks Index	115,183	7.9%
Policy 1 Legal and General North America Index	21,779	1.5%
Policy 1 Legal and General Other Pacific Basin Index	8,925	0.6%
Policy 1 Legal and General Europe(Ex UK)Equity Index	15,338	1.1%
Policy 1 Legal and General Japan Index	8,981	0.6%
	<b>475,423</b>	<b>32.7%</b>
Policy 2 Legal and General Over 5 Yr Index-Linked Gilts Index	234,361	16.1%
	<b>709,784</b>	<b>48.8%</b>

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**NOTE 11: FINANCIAL INSTRUMENTS**

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Scheme can be classified as Financial Instruments and Investment Property as follows:

	31 March 2011 £'000	31 March 2012 £'000
Financial Instruments	1,297,490	1,366,753
Statutory debts / liabilities & provisions	18,152	6,040
Investment Property	84,285	93,625
<b>Net Assets of the Fund</b>	<b>1,399,927</b>	<b>1,466,418</b>

	31 March 2011				31 March 2012			
	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CLASSIFICATION</b>								
<b>Financial Assets</b>								
<b>Investments</b>								
Equities	507,516	-	-	507,516	487,881	-	-	487,881
Fixed interest securities	127,606	-	-	127,606	-	-	-	-
Pooled investment vehicles	649,198	-	-	649,198	857,653	-	-	857,653
Derivative contracts	631	-	-	631	2,999	-	-	2,999
<b>Cash deposits</b>	-	13,459	-	13,459	-	17,121	-	17,121
<b>Current &amp; long-term assets</b>	-	7,418	-	7,418	-	5,487	-	5,487
	1,284,951	20,877	-	1,305,828	1,348,533	22,608	-	1,371,141
<b>Financial Liabilities</b>								
Derivative contracts	(3,763)	-	-	(3,763)	(285)	-	-	(285)
Current/long-term liabilities	-	-	(4,575)	(4,575)	-	-	(4,103)	(4,103)
<b>Total Financial Instruments</b>	<b>1,281,188</b>	<b>20,877</b>	<b>(4,575)</b>	<b>1,297,490</b>	<b>1,348,248</b>	<b>22,608</b>	<b>(4,103)</b>	<b>1,366,753</b>
<b>ANALYSIS OF NET GAINS AND LOSSES FOR YEAR ENDED 31st MARCH</b>								
Financial Assets	77,492	-	-	77,492	47,575	-	-	47,575
Financial Liabilities	(3,763)	-	-	(3,763)	(285)	-	-	(285)
<b>Total Net Gains/Losses</b>				<b>73,729</b>				<b>47,290</b>



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The table following summarises the carrying values (book cost) of the financial assets and liabilities by class of instrument compared with the fair values (market value).

31 March 2011			31 March 2012	
Carrying Value (Book Cost)	Fair Value		Carrying Value (Book Cost)	Fair Value
£'000	£'000		£'000	£'000
1,043,566	1,284,951	<b>Financial Assets</b>		
20,877	20,877	Fair Value through profit and loss	1,100,005	1,348,533
		Loans and receivables	22,608	22,608
<b>1,064,443</b>	<b>1,305,828</b>	<b>Total Financial Assets</b>	<b>1,122,613</b>	<b>1,371,141</b>
		<b>Financial Liabilities</b>		
-	(3,763)	Fair Value through profit and loss	-	(285)
(4,575)	(4,575)	Financial Liabilities at amortised cost	(4,103)	(4,103)
<b>(4,575)</b>	<b>(8,338)</b>	<b>Total Financial Liabilities</b>	<b>(4,103)</b>	<b>(4,388)</b>
<b>1,059,868</b>	<b>1,297,490</b>	<b>Total Financial Instruments</b>	<b>1,118,510</b>	<b>1,366,753</b>

**NOTE 11(a): VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**

To show the liquidity of the assets the Scheme holds, under IFRS the valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. This is aimed at showing how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity / valuation subjectivity carries with it an element of risk for which investors expect to be rewarded with higher expected investment returns.

As the Scheme is in deficit it needs to generate excess returns at an acceptable level of risk. To do this the Scheme diversifies across asset classes but it also makes use of its strong covenant as a Pension Scheme that is not expected to mature for many years to come. As such it can take advantage of the returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the value of it to the Scheme, merely how readily it can be realised as cash if required.

**Level 1 – 39% of the Schemes Holding in Financial Instruments**

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets, carrying the lowest valuation and liquidity risk.

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, valued using bid prices where available. These can be freely traded in active markets and are mainly quoted equity shares, fixed interest bonds, cash, and also include quoted unit trusts.

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**Level 2 – 59% of the Schemes Holding in Financial Instruments**

While these assets are not usually convertible into cash immediately they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

Quoted market prices are not available. Valuation techniques are used to determine fair value. The techniques use inputs that are based significantly on observable market data.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

**Level 3 – 2% of the Schemes Holding in Financial Instruments**

For many of these assets prices are not readily quantifiable and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Quoted market prices are not available. Valuation techniques are used to determine fair value. At least one input that has a significant effect on the valuation is not based on observable market data.

Such instruments include unquoted equity investments, private equity and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in Note 2 paragraph 2.8(c). The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of hedge funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to us as clients.

The following table provides an analysis of the financial assets and liabilities of the Pension Scheme grouped into levels 1 to 3, based on the level at which the fair value is observable.

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VALUATION CLASSIFICATION LEVEL	31 March 2011				31 March 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FINANCIAL INSTRUMENT CLASSIFICATION								
<b>Financial Assets</b>								
<b>Investments</b>								
Equities	506,809	-	707	507,516	486,987	-	894	487,881
Fixed interest securities	125,462	2,144	-	127,606	-	-	-	-
Pooled investment vehicles	43,463	589,240	16,495	649,198	35,947	798,223	23,483	857,653
Derivative contracts	-	631	-	631	-	2,999	-	2,999
<b>Cash deposits</b>	13,459	-	-	13,459	17,121	-	-	17,121
<b>Current &amp; long-term assets</b>	-	7,418	-	7,418	-	5,487	-	5,487
	689,193	599,433	17,202	1,305,828	540,055	806,709	24,377	1,371,141
<b>Financial Liabilities</b>								
Derivative contracts	-	(3,763)	-	(3,763)	-	(285)	-	(285)
<b>Current &amp; long term liabilities</b>	-	(4,575)	-	(4,575)	-	(4,103)	-	(4,103)
<b>Total Financial Instruments</b>	689,193	591,095	17,202	1,297,490	540,055	802,321	24,377	1,366,753
<b>Percentage of Financial Instruments</b>	53.1%	45.6%	1.3%	100.0%	39.5%	58.7%	1.8%	100.0%

The movement between level one and level two categories between years reflects the temporary arrangement whereby the corporate bond mandate is being held in a pooled vehicle within the Legal and General passive portfolio. As detailed above, because all the underlying assets are identifiable, easily quantified and the pooled fund is tradable at relatively short notice the minimal increase in risk is considered acceptable. It is anticipated that levels will revert back to 2010/11 percentages during 2012/13 on finalisation of the ongoing procurement exercise for a new corporate bond manager.

**NOTE 12(a): LONG TERM ASSETS**

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
<b>Long Term Debtors</b>		
Long term debtors - contributions	52	23
Long term debtors - employer exit	2,957	2,628
<b>Total Long Term Assets</b>	<b>3,009</b>	<b>2,651</b>
<b>Debtors relating to (per IFRS headings):</b>		
Central Government bodies	2,957	2,628
Other entities and individuals	52	23
<b>Total Long Term Assets</b>	<b>3,009</b>	<b>2,651</b>

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‘Long-term debtors – employer exit’ is the debt due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and as these payments will be received in ten annual instalments which began in April 2011, the next instalment of £0.328m is shown within ‘Employer exit from the scheme due < 1 year’ (see note 12(b)) and the remainder of £2.628m shown above as ‘Long Term Debtors – Employer exit’ (see also note 3).

**NOTE 12(b): CURRENT ASSETS**

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
<b>Cash balances</b>	<b>1,669</b>	<b>5,173</b>
<b>Current Debtors</b>		
Securities sold awaiting settlement	1,644	1,884
Investment income accrued	4,310	2,256
Property debtors	926	841
Contributions due	5,080	3,754
Employer exit from scheme due < 1 year	10,689	328
Miscellaneous	859	785
<b>Total Current Debtors</b>	<b>23,508</b>	<b>9,848</b>
<b>Total Current Assets</b>	<b>25,177</b>	<b>15,021</b>
<b>Current Debtors relating to (per IFRS headings):</b>		
Central Government bodies	658	625
Other local authorities	4,814	3,037
Other entities and individuals	18,036	6,186
<b>Total Current Debtors</b>	<b>23,508</b>	<b>9,848</b>

Debtors were unusually large for 2010/11 due to the exit last year from the scheme of Capita, an admission body, and the associated capital payment to offset their estimated deficit of £10.211m was shown within ‘Employer exit from the scheme due < 1 year’. The actual debt was fully discharged during 2011/12 (see note 3).

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**NOTE 13(a): LONG TERM LIABILITIES**

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
<b>Long term Creditors</b>		
Interest provision on long-term debt	446	424
<b>Total Long term Liabilities</b>	<b>446</b>	<b>424</b>
<b>Long Term Creditors relating to (per IFRS headings):</b>		
Other entities and individuals	446	424
<b>Total Long term Liabilities</b>	<b>446</b>	<b>424</b>

**NOTE 13(b): CURRENT LIABILITIES**

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2011 £'000	31 March 2012 £'000
<b>Current Creditors</b>		
Securities purchased awaiting settlement	1,422	748
Property creditors	1,921	2,042
Investment Managers fees	845	800
Tax payable	490	526
Interest provision on long-term debt	11	22
Miscellaneous	387	513
<b>Total Current Liabilities</b>	<b>5,076</b>	<b>4,651</b>
<b>Current Creditors relating to (per IFRS headings):</b>		
Central government bodies	490	535
Other local authorities	167	416
Other entities and individuals	4,419	3,700
<b>Total Current Liabilities</b>	<b>5,076</b>	<b>4,651</b>

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**NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Pension Scheme maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Scheme's exposure.

**Overall Procedures for Managing Risk**

The principal powers under which an LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Pension Scheme. These regulations require the Pension Scheme to formulate a policy for the investment of its fund money.

With regards to investing, the Administering Authority's risk management procedures focus on the unpredictability of financial markets and implementing restrictions on managers and diversification across the portfolio to minimise these risks.

The Pension Scheme annually reviews its Statement of Investment Principles and corresponding Investment Strategy which set out the Pension Scheme's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Statement of Investment Principles and the Cash Investment Policy can both be found in the Scheme Policy Document published on-line at: [www.cumbria.gov.uk/finance](http://www.cumbria.gov.uk/finance).

During 2011/12 the Administering Authority performed a more fundamental review of the Investment Strategy. Pension scheme investing must be undertaken with a view to the longer term time horizon. Switching asset allocations is both expensive and time consuming and it is crucial that the strategic asset allocations of a scheme are reviewed annually but only changed fundamentally over a longer time period. Detailed review of the Schemes' strategic asset allocations should therefore only be undertaken every 3-7 years. Completion and implementation of the outcomes of this review are expected to be finalised during 2012/13, when the associated funding policy statements will be revised and updated.

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Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of the Pension Scheme investments managed by external Investment Managers is compared to both benchmark and target returns. Also reported to the Committee is not only the individual managers' performance but also total performance of the Fund against its bespoke benchmark return.

As a further control, a substantial amount of due diligence is performed at the appointment stage by independent investment consultants to ascertain managers' risk control, audit and monitoring procedures.

#### **Liquidity Risk**

Liquidity Risk is the risk that the Pension Scheme will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Scheme is not having funds available to meet commitments to make pension payments to members as they fall due. The Administering Authority with the Actuary frequently review the overall cash flow position of the Scheme to ensure its obligations can be suitably covered.

As part of both the triennial valuation and the annual investment review, Scheme membership and likely maturity profiles are reviewed. Currently the scheme is cash positive (i.e. it collects more in annual receipts than it requires to fulfil all obligations). However, due to the high number of members entering retirement during 2011/12, the Scheme experienced a cash deficit of £3.841m. This amount was met from cash reserves and there was no requirement to liquidate assets ahead of previous plans.

It is expected that the Scheme will remain cash positive for the next 20 years to come. However in light of further anticipated reductions in local government budgets and workforce numbers and the possible further reductions in active members due to the proposed increase in employee contributions when the new scheme comes into effect in 2014, this will be kept under active review.

Note 11(a) explains the Scheme holds a large value of very liquid securities which could be promptly realised if required. As at 31st March 2012 the value of assets which could be converted to cash within three months, without significant loss to the Scheme, is £1,336.889m, i.e. 91% of net assets (31st March 2011 £1,272.870m 91%). The value of the illiquid assets was £129.529m which represented 9% of net assets (31st March 2011 £127.057m, 9%).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Pension Scheme's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

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A maturity analysis for investment liabilities (all of which are derivatives) is shown in note 10(c). The current liabilities of the Scheme (see note 13(b)) are all due within 12 months from the Net Asset Statement date. The long term liabilities of the Scheme (see note 13(a)) consist of the interest provision on the long term debtor – employer exit. This is being unwound as follows:

	On 31 March 2011 £'000	On 31 March 2012 £'000
<b>Maturity Risk - Long term liabilities</b>		
Due 1 to 2 years	22	32
Due 2 to 5 years	126	155
Due 5 to 10 years	298	237
<b>Total Long term liabilities</b>	<b>446</b>	<b>424</b>

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price.

The Pension Scheme is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Scheme's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

In order to manage market value risk, the Pension Scheme has set restrictions on the type of investment it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details can be found in the Pension Scheme's Statement of Investment Principles. The Pension Scheme has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Pension Scheme. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each asset class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Scheme. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Scheme and thereby further reduce the Schemes' overall market risk the recent Investment Strategy Review has introduced some new asset classes (e.g. infrastructure) in which the Scheme will shortly be investing in.



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**Market Risk – Sensitivity Analysis**

The Pension Scheme's funding position is sensitive to changes in equities (which affect the net assets available to fund benefits) and bond yields (which affect the value placed on the Pension Scheme's liabilities). Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This volatility can be applied to the investment assets of the Scheme at the period end in the following table to show the potential increase and decrease of value.

	2011/12 £'000	% Change	Value on Increase	Value on Decrease
UK Equities	386,619	15.2%	445,385	327,853
Overseas Equities	375,580	14.2%	428,912	322,248
Bonds	234,510	6.8%	250,457	218,563
Index Linked Gilts	234,361	7.6%	252,172	216,550
Alternatives	114,464	6.8%	122,248	106,680
Property	93,625	6.2%	99,430	87,820
Cash	11,948	0.1%	11,960	11,936
	<b>1,451,107</b>		<b>1,610,564</b>	<b>1,291,650</b>

**Foreign Exchange Risk**

The Pension Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31st March 2012, the Pension Scheme had overseas investments (excluding forward foreign exchange contract) of £402.479m and £3.337m cash denominated in currencies other than sterling. The impact of a 5% movement in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £20.291m, or 1% of the Scheme's total value.

**Foreign Exchange – Derivative Contracts**

One way for pension schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for LGPS to hedge 50% of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset.

The Cumbria Scheme has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

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As at 31st March 2012, the Scheme had 98 open forward foreign exchange contracts. These are over-the-counter contracts, the Scheme held no exchange traded derivatives (see Note 10(c) for an analysis of these contracts).

**Credit Risk**

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Scheme's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying values of the Scheme's financial assets and liabilities. In addition to this, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Scheme has had no experience of default or uncollectable deposits over recent years.

The Pension Scheme reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities on behalf of the Pension Scheme.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts and the stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Scheme's cash holdings as at 31st March 2012 were £5.173m (2010/11: £1.669m) within current assets (see note 12(b)) and £11.948m (2010/11: £11.790m) within investments (see note 10). In addition to this the scheme held £12.114m (2010/11: £19.513m) of Money Market Funds. The credit ratings of the accounts in which these amounts were held were as follows:

Summary	Rating	Balances as at 31 March 2011 £000	Balances as at 31 March 2012 £000
<b>Money market funds</b>			
BlackRock Institutional Sterling Cash	AAA	13,437	11,210
Insight Institutional Sterling Cash	AAA	4,875	-
Schroder Offshore Cash Guernsey	AAA	1,201	904
<b>Bank deposit accounts</b>			
National Westminster Bank	A	1,669	5,173
<b>Bank current accounts</b>			
State Street Bank & Trust	A+	7,676	9,649
HSBC	AA	4,114	2,299
		32,972	29,235

## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME**

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#### **Counterparty risk**

The principal mitigation of the counterparty risk on a foreign currency trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the managers' as part of their oversight of risks. Subject to overriding requirements for best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- the bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis. In addition, more formal review takes place via quarterly meetings which can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

#### **Settlement risk**

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Scheme has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. The manager applies operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital, the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £2.714m gain at 31st March 2012.

As currency movements can be quite volatile positions can change from day to day quite significantly. It is difficult to approximate the size of the risk using historical currency movements, as these cannot be relied upon as a guide to future movements.

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**Interest rate risk**

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme's direct exposure to interest rate movements as at 31st March 2012 and 31st March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2010/11 £'000	2011/12 £'000
Fixed interest securities (including pooled investments)	443,617	468,871
Cash and cash equivalents	13,459	17,121
	<b>457,076</b>	<b>485,992</b>

**Unquoted Investments**

The Scheme holds significant amounts of unquoted securities. This is mainly due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient low risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity. The investment managers may also choose to invest in unquoted investments, mainly as managed funds as a preferred method of investing in smaller asset classes or less easily accessed markets.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Scheme as clients.

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The unquoted investments held at 31st March 2012 are as follows:

Asset Class	2010/11 £'000	2011/12 £'000	Manager	Holding Details
<b>Equities</b>				
UK	707	894	Schroders	Northern Investors, a holding in a venture capital fund (remnants of investments made in 1984-1990) which is illiquid due to there being no market for exit, held on a care and maintenance basis until wind-up.
<b>Pooled investment vehicles</b>				
Unitised insurance policies	500,137	709,784	Legal and General	Index tracking funds.
Other managed funds	105,598	111,922	Blackrock	Alternative funds - overseas property, hedge funds, private equity, commodities. A mix of in-house funds and funds external to BlackRock.
<b>Fixed interest securities</b>				
Corporate Bonds	2,144	-	Blackrock	A bond issued by Credit Suisse Bank to Blackrock to give a return on the bond derived from a basket of commodities in China.
	<b>608,586</b>	<b>822,600</b>		

**NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

The Scheme operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of two independent AVC scheme providers. To comply with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) the transactions are treated separately to the Schemes' accounts and therefore do not form part of these accounts.

The two providers offered are Standard Life and Scottish Widows. The Scheme gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. The values of the two schemes for Cumbria LGPS, along with the value of Equitable Life, are shown below:

	2010/11 £'000	2011/12 £'000
Standard Life	995	889
Scottish Widows	1,190	1,061
Equitable Life	1,285	1,028
<b>Total AVCs</b>	<b>3,470</b>	<b>2,978</b>

## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME**

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AVC contributions of £0.131m were paid directly from employees pay to the providers during the year (2010/11: £0.154m).

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by buying an annuity or transferring the investment into the main Scheme assets under Regulation 66 of the Local Government Pension Scheme Regulations 1997. The investment could be realisable earlier in the event of a member's death before retirement.

#### **NOTE 16: RELATED PARTY TRANSACTIONS**

In day-to-day operations the scheme has many transactions with Cumbria County Council as the administering authority of the scheme, including the pension contributions as an employer, payments on the scheme's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Scheme does not invest for example in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are normal transactions with all the employers who have members in the scheme, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Executive Board Members and senior employees of all Employer organisations within the Cumbria Local Government Pension Scheme (LGPS) were asked to complete a declaration on related parties, in addition to all members of the Cumbria Pensions Committee. An examination of the returns for 2011/12 reveals that there were no material transactions between the members/officers and their families affecting involvement with the Pension Scheme. Each member of the Pension Committee formally considers conflicts of interest at each meeting and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

Related parties returns are sent to all employer organisations, and the aim is for receipt of returns to cover 85% of the active membership. This target has been exceeded in 2011/12.

The Scheme does not employ any staff directly. Cumbria County Council employs the staff involved in providing the duties of the administering authority (excluding the pensions administration services which is provided by 'YPS') for the Scheme. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Cumbria County Council Annual Financial Report 2011/12 (see note 17 to those statements). Employee costs of the Scheme (note 7) include £15k (2010/11 £16k) of costs relating to key management personnel remuneration. These costs are charged to the Scheme on the basis of time spent undertaking work relating to the Scheme.

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**NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

There are no outstanding capital commitments at 31st March 2012.

**NOTE 18: CONTINGENT ASSETS**

**Tax Reclaims**

Cumbria Pension Scheme has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. A leading professional services firm, acting on behalf of the Cumbria Scheme, has continued to pursue these claims during 2011/12. The estimated value of claims still outstanding is £3.107m.

These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents. Recent court cases, notably Manninen and Fokus, EU Commission v Germany, Santander, and EU Commission v Portugal have added to the strength of the argument. Whilst it is prudent for the Cumbria Scheme not to make any assumptions, the Netherland settlement received in 2009 and the Norwegian settlement received in 2010 lend some optimism as to the success of recovering additional income for the Scheme.

Further claims have been registered in the High Court for potential tax recovery from HMRC in respect of manufactured dividends on equity stock lent out through the stock lending programme. The claim to date has a value in excess of £0.450m, although no accrual was put in the accounts as the outcome is uncertain.

The fees incurred to date for all the above tax claims regardless of the outcome total £0.337m, and have been charged as expenditure to the fund account in the appropriate accounting period.

**Class actions**

Where shareholder value has been eroded by wrongful action by company directors, sometimes it is possible for monies to be recovered via the courts by a shareholder class action against the company or its directors. The Scheme has retained Institutional Shareholder Services to monitor these class actions. The Scheme will seek to recover any significant monies due where the probability of success is believed to outweigh the additional cost of doing so.

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**NOTE 19: IMPAIRMENT LOSSES**

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2011/12 are considered to be recoverable with no impairment.

There were no impairments of investments during 2011/12.

**Financial assets that are past due as at 31st March but not impaired:**

The Scheme generally allows a payment period of 30 days. Included within current debtors (see note 12(b)) are £0.109m of debtors aged between two and six months (£0.060m 2010/11). Debtors aged greater than six months are fully provided for; these totalled £0.017m as at 31st March 2012 (£0.140m 2010/11).

**NOTE 20: STOCK LENDING**

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). A programme began during 2005 through the custodian, State Street Bank and Trust, to earn additional income for the scheme from stock lending. The limit on amounts to be loaned was increased to £50m during 2011/12.

Securities on loan at the 31st March 2012 of £25.302m (2010/11: £21.123m) are included in the net asset statement to reflect the scheme's continuing economic interest in the securities, and consist of £18.886m UK equities and £6.416m overseas equities (2010/11: £16.692m UK Treasury Gilts, £2.798m UK equities, and £1.634m overseas equities). The related collateral totalled £26.660m (2010/11: £21.798m), consisting of £25.040m overseas bonds, £1.202m gilts, and £0.418m UK equities (2010/11: £13.893m overseas bonds, £6.906m gilts and £0.999m UK equities).

For the year to 31st March 2012, the scheme earned income of £0.087m (2010/11 £0.055m) through stock lending of the various assets (as detailed in Note 8).

**NOTE 21: POST BALANCE SHEET EVENTS**

The management of the global equity portfolio with Newton Investment Management Ltd was discontinued in April 2012. The assets will be held on a passive basis while a full procurement process is undertaken to appoint a new manager.



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**NOTE 22: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES**

In applying the policies, the Scheme has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- the Scheme will continue in operational existence for the foreseeable future as a going concern;
- No investments are impaired (further detail on the investment strategy and approach to managing risk in Note 14).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Summary of Significant Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual differs from assumptions</b>
Market Value of Investments	Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this being the 'bid price' where possible.	For every 1% increase in market value, the value of the Scheme will increase by approx £14m, with a decrease having the opposite effect.
Pensions Liability	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.	The effects on the funding level of changes in the individual assumptions can be measured, but interact in complex ways. For instance, a 1 year increase in life expectancy would result in a 2% decrease in Funding Level to 77%. The Actuarial Valuation at March 2010 contains further information.
Long-term Debt	Income received in instalments over many years is time discounted to reflect the time value of money.	A discount rate of 3.5% was used, with every 1% reduction reducing the income recognised.
Bad Debt Provision	Assumptions about ability of debtor to pay and likelihood of debt recovery.	Less income is recovered than predicted. Alternatively, debt can be recovered after being written off.

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**NOTE 23: ACTUARIAL POSITION OF THE FUND**

Below is shown a statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration Regulations) 2008. This statement shows both the actuarial valuation result and the actuarial value of the Scheme's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26. The full Actuarial Valuation Report as at 31st March 2010 is available on the County Council's website, at [www.cumbria.gov.uk/finance](http://www.cumbria.gov.uk/finance).

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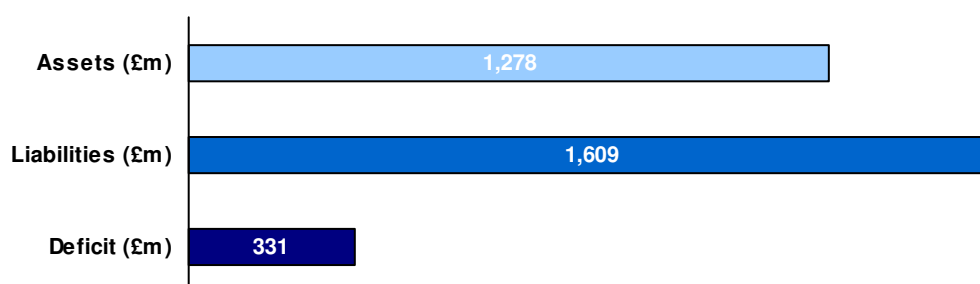
**CUMBRIA LOCAL GOVERNMENT PENSION SCHEME**

***Accounts for the year ended 31st March 2012 - Statement by the Consulting Actuary***

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Cumbria Local Government Pension Scheme was carried out as at 31st March 2010 to determine the contribution rates with effect from 1st April 2011 to 31st March 2014.

On the basis of the assumptions adopted, the Fund's assets of £1,278m represented 79% of the Fund's past service liabilities of £1,609m (the "Funding Target") at the valuation date 31st March 2010.



The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 5.9% of pensionable pay for 22 years. This would imply an average employer contribution rate of 18.4% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 31st March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers. Where indicated in our formal report on the actuarial valuation, the employer's certified contribution rate includes some allowance for non-ill health early retirement costs.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

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	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	4.75% per annum*	4.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

\* allowance was also made for short-term public sector pay restraint over a 2 year period, as announced in 2010 by the Government

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31st March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1st April 2014.

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31st March 2011	31st March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases *	4.65% per annum	4.25% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

\* a corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.

We have also used methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the present value of the Fund's promised retirement benefits as at 31st March 2011 and 31st March 2012 were £1,809m and £1,961m respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £67m.

**John Livesey**  
**Fellow of the Institute and Faculty of Actuaries**  
**Mercer Limited**  
**June 2012**

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At the 2010 valuation the Actuary proposed an alternative method of allocating the proportion of the employer contribution rate attributable to deficit or past service recovery. Cumbria County Council and eleven other employers (comprising 70% of the Scheme membership) have adopted this alternative approach to the employer contributions from 1st April 2011 and as such are paying a lump sum employer contribution, in addition to a fixed rate. The reason for this more prudent approach is that it prevents contributions falling due to reductions in staff payrolls throughout the three years between valuations. If this were to occur it would have an adverse impact on the required employer contribution rate at the next valuation.

**NOTE 24: ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED**

The Scheme is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted. There has been no such change in accounting standards issued which impact on 2011/12.

**NOTE 25: PARTICIPATING EMPLOYERS OF THE SCHEME**

As at 31st March 2012 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

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<b>Employers of the Scheme as at 31 March 2012 (total 105)</b>	
<b>Scheme Employers:</b>	<b>Scheduled Bodies No Actives continued</b>
Cumbria County Council	Dept Constit Affairs (Cumbria Magistrates)
<b>District Councils (6)</b>	Health Authority
Allerdale Borough Council	Millom Town Council
Barrow Borough Council	Port of Workington
Carlisle City Council	Practical Alternatives to Custody (Ltd)
Copeland Borough Council	Ulverston Town Council
Eden District Council	Water Authority
South Lakeland District Council	<b>Admitted Bodies (35)</b>
<b>Scheduled Bodies (41)</b>	Agilisys
Appleby Grammar Academy ( <b>New</b> )	Amey Infrastructure Services ( <b>Leaving</b> )
Arnside National CofE Academy ( <b>New</b> )	Attendo Monitoring (Mobile Response)
Barrow Sixth Form College	Barrow & District Soc for Blind
Broughton Primary Academy ( <b>New</b> )	Barrow Citizens Advice
Burton Morewood Primary Academy ( <b>New</b> )	Bulloughs Cleaning Services Ltd
Caldew Academy ( <b>New</b> )	Carlisle Leisure Allerdale
Carlisle College	Carlisle Leisure Ltd
Cartmel Priory Academy ( <b>New</b> )	Commission for Social Care Inspection
Castle Carrock Academy ( <b>New</b> )	Creative Management Services Ltd
Cleator Moor Town Council	Cumbria Cerebral Palsy
Cockermouth Town Council	Cumbria Deaf Association
Cumbria Police Authority	Cumbria Tourism
Cumbria Probation Service	Eden Housing Association
Cumbria Waste Management	FOCSA Services
Dallam Academy ( <b>New</b> )	Glenmore Trust
Dearham Primary Academy ( <b>New</b> )	Graham Asset Management
Eaglesfield Paddle Academy ( <b>New</b> )	Harraby Community Centre
Furness Academy	Higham Hall
Furness College	Home Group (Copeland)
Great Corby Academy ( <b>New</b> )	Kendal Brewery Arts Centre Trust Ltd
Kendal College Further Educ	Kendal Citizens Advice
Kendal Town Council	Longtown Memorial Hall Community Centre
Keswick Academy ( <b>New</b> )	Mellors Catering Services
Keswick Town Council	Morton Community Centre
Kirkby Kendal Academy ( <b>New</b> )	North Country Leisure (Copeland)
Kirkby Stephen Academy ( <b>New</b> )	Oaklea Trust
Lake District National Park Authority	Riverside Housing
Lakes College (West Cumbria)	Soundwave
Maryport Town Council ( <b>New</b> )	South Lakeland Leisure
Queen Elizabeth Academy	South Lakes Housing ( <b>New</b> )
Queen Elizabeth Grammar Academy ( <b>New</b> )	TADEA
Queen Katherine Academy ( <b>New</b> )	Tullie House Trust ( <b>New</b> )
Richard Rose Academies	West House
Seaton Academy	Wigton Joint Burial Committee
Settlebeck High Academy ( <b>New</b> )	<b>Admitted Bodies No Actives (11)</b>
South Lakeland Housing ( <b>Left</b> )	Botcherby Community Centre ( <b>Closing</b> )
Trinity Academy ( <b>New</b> )	Cumbria Training Partnership
Valuation Tribunal Service	Currock Community Centre ( <b>Closing</b> )
West Lakes Academy	Direct Training Services
Wigton Town Council	Egremont & District Pool Trust
William Howard Academy ( <b>New</b> )	Henry Lonsdale Trust
<b>Scheduled Bodies No Actives (11)</b>	Lake District Cheshire Homes
Brampton Parish Council	Lakeland Arts Trust
Charlotte Mason College	NRCS Ltd (Neighbourhood Revitalisation)
Cumbria Institute of the Arts	Project Homeless
Cumbria Primary Teacher Training	Troutbeck Bridge Swim Pool Ltd

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**7.3 GLOSSARY**

**Active Management** – Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions. (*Also see Passive Management*).

**Actuary** – An independent consultant who advises the Scheme and every three years formally reviews the assets and liabilities of the Scheme and produces a report on the Scheme's financial position, known as the Actuarial Valuation.

**Alternatives**

Alternatives are investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as art, wine etc, and financial assets such as commodities, private equity, hedge funds, venture capital and derivatives.

**Asset Allocation**

Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

**Benchmark** – A yardstick against which the investment policy or performance of a fund manager can be compared, usually the index relating to the particular assets held. (*Also see Target*).

**Bid price** – Price at which a security or unit in a pooled fund can be sold.

**Bonds** – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

**Buy and Hold Credit**

An approach to bond investment that is very different to an index-tracking or traditional active approach. In the case of "buy and hold" investing, the starting point of the portfolio construction process is not the index weight of the bonds, but a basket of bonds that the manager believes have a high probability of honouring the payment obligations due. As such the investor's return expectation has a "margin of safety" and is not dependant on a change in sentiment in credit markets. The intention is typically to hold the bonds until maturity (and to be prepared to sell bonds if the default risk increases). Constant duration portfolios are also available.

**Custodian** – Organisation which is responsible for the safekeeping of asset, income collection and settlement of trades for a portfolio, independent from the asset management function.

**Derivative** – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

**Diversification**

Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly

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### **SECTION 7 – FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS**

correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

**Emerging Markets** – Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

**Equities** – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fixed Interest Securities** – Investments mainly in government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

**Funding Level** – The ratio of a pension scheme's assets to its liabilities. Normally relates to defined benefit pension schemes and used as a measure of the scheme's ability to meet its future liabilities.

#### **Gilts**

These are the simplest form of UK government bond. A conventional gilt is a bond issued by the UK government which pays the holder a fixed cash payment (or coupon) every six months until maturity, at which point the holder receives his final coupon payment and the return of the principal.

**IFRS** – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

**Index-linked Gilts** – UK government stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

**Index-Tracking Fund (Managed Fund)** – Pooled investment vehicle which aims to match the returns on a particular market index. The fund may hold all stocks in the index or select a sample that will perform closely to the index. Investors can buy and sell units of the fund on an on-going basis.

**Investment Strategy** – Investor's long-term distribution of assets among various asset classes taking into consideration, for example, goals of the investor, attitude to risk and timescale etc.

**Liabilities** – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires; the LGPS is a 'final-salary' scheme where pension relates to years service and final salary and so the pensions liability can be estimated by the actuary.

**Market Value** – The price at which an investment can be bought or sold at a given date.



## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME**

### **SECTION 7 – FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS**

**Myners Review** – Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review, published in March 2001, investigated the challenges facing institutional investment decision making.

**Passive Management** – Portfolio which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio. *(Also see Active Management).*

**Pooled Investment Fund** – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

**Portfolio** – Block of assets generally managed under the same mandate.

**Private Equity** – Shares in unquoted companies. Usually high risk, high return in nature.

**Retail Price Index** – Measure of price inflation in the UK used as a guide for pensions updating. A basket of representative goods in the market is priced on a regular basis to monitor the rate of inflation. (The Government is also publishing details of the Consumer Prices Index).

**Return** – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

**Risk** – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

**Settlement** – Payment or collection of proceeds after trading a security. Settlement usually takes place some time after the deal and price are agreed.

**Statement of Investment Principles** – The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

**Stock Lending** – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

**Target** – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

**Unit Trust** – A specific type of pooled investment fund.

**Unquoted (Unlisted) Stock** – A company share that is not available for purchase or sale through the stock market.

**Venture Capital** – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

# FIREFIGHTERS' PENSION SCHEME ACCOUNTS

## 7.9 The Firefighters' Pension Scheme Accounts

**Table 1 – Firefighters' Pension Scheme Accounts 2011/12**

	2011/12		2010/11	
	£000	£000	£000	£000
Contributions Receivable				
From Employer				
Normal	(1,716)		(1,796)	
Early Retirements	0		0	
Additional	0		0	
From Members	(945)	(2,661)	(1,003)	(2,799)
Transfers In				
Individual transfers in from other Schemes	0		0	
Other	0	0	0	0
<b>Total Income</b>		<b>(2,661)</b>		<b>(2,799)</b>
Benefits Payable				
Pensions	3,124		2,823	
Ill Health & Injury	1,441		1,419	
Lump Sums	1,402		827	
Lump Sum Death Benefits & Widows Pensions	276		275	
		6,243		5,344
Payments to and on account of leavers				
Refund of contributions	0		0	
Individual transfers out to other Schemes	210		0	
Other	0		0	
		210		0
<b>Total Expenditure</b>		<b>6,453</b>		<b>5,344</b>
<b>Net amount receivable/ (payable) before top-up grant from Government</b>		<b>3,792</b>		<b>2,545</b>
<b>Top-up grant receivable/ (payable) from Government</b>		<b>3,792</b>		<b>2,545</b>
<b>Net amount receivable/ (payable) for the year after top-up grant</b>		<b>0</b>		<b>0</b>
<b>NET ASSETS STATEMENT</b>				
<b>Current Assets</b>				
Contributions due from employer		0		0
Pension top-up receivable from Government		1,545		922
Prepaid Pensions		431		387
<b>Current Liabilities</b>				
Unpaid pension benefits		0		0
Pension top-up repayable to Government		0		0
Other current assets and liabilities		(1,976)		(1,309)
		0		0

## Notes to the Firefighters' Pension Scheme Financial Statements

### 1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

### 2. Accounting Policies

The principal accounting policies are as follows:

#### Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 21.3% for the 1992 Firefighters' Pension Scheme and 11% for the 2006 Scheme. Also the Council will be required to make payments into the pension fund in respect of ill health retirements, when they are granted.

## **FIREFIGHTERS' PENSION SCHEME ACCOUNTS**

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No provision is made in the accounts for employees' and employers' contributions relating to sums due on pay awards not yet settled.

### **Benefits and Refunds**

Benefits and refunds are accounted for in the year in which they become due for payment.

### **Transfer Values**

Transfer values are those sums paid to, or received from, other pension schemes and the Firefighters' Pension Scheme outside England, for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

### **3. Fund's Operation**

Financial arrangements came into effect from 1st April 2006 for both the 1992 and the 2006 Firefighters' Pension Schemes. The financial arrangements had no impact on the terms and conditions of each scheme.

Both the Firefighters' Schemes are statutory, unfunded pension schemes. The benefits for both schemes are defined and guaranteed in law. Both schemes are contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a guaranteed pension based on final salary upon retirement and an option to commute pension in favour of a tax free lump sum.

Prior to 1st April 2006, the Council administered and paid firefighters' pensions on a "pay-as-you-go basis", which meant that employees' contributions were paid into the Council's operating accounts from which pension awards were made. Following the change in financial arrangements on 1st April 2006, the Council has continued to administer and pay firefighters' pensions, but this is now from a new separate local firefighters' pension fund. Employee contributions, new employer's contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to Central Government. The underlying principle is that the employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

The fund has no investment assets.

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## SECTION 8 – AUDITOR’S REPORT



### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL**

#### **Opinion on the Authority and firefighters’ pension fund financial statements**

I have audited the financial statements and the firefighters’ pension fund financial statements of Cumbria County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The Authority financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, and the related notes. The firefighters’ pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

#### **Respective responsibilities of the Acting Assistant Director - Finance and Auditor**

As explained more fully in the Statement of the Acting Assistant Director - Finance’s Responsibilities, the Acting Assistant Director - Finance is responsible for the preparation of the Statement of Accounts, which include the Authority financial statements and the firefighters’ pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

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## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Cumbria County Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

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

## **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- 
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
  - I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

### **Opinion on the pension fund financial statements**

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

### **Respective responsibilities of the Acting Assistant Director - Finance and Auditor**

As explained more fully in the Statement of the Acting Assistant Director - Finance's Responsibilities, the Acting Assistant Director - Finance is responsible for the preparation of the Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Assistant Director - Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword

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to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

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

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

#### **Respective responsibilities of the Authority and the auditor**

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

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

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

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## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Cumbria County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

## **Certificate**

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

*Jackie Bellard*  
*District Auditor*

*September 2012*  
*Audit Commission, Aspinall House, Middlebrook, Horwich, Bolton, BL6 6QQ*



**Accounting Policies**

The policies, concepts and conventions used in the preparation of the accounts.

**Accruals**

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31<sup>st</sup> March.

**Actuarial Gains and losses**

Employees of the Council are members of defined benefit pension schemes. Actuarial gains and losses arise because events have not coincided with actuarial assumptions made in the previous valuation or because the actuarial assumptions have changed.

**Agency Services**

Services that are performed by or for another Authority or Public Body, where the principal, the authority responsible for the service, reimburses the agent, the authority carrying out the work, for the cost of the work carried out.

**Area Based Grant**

A non ring fenced general grant with no conditions on use imposed as part of the grant determination ensuring full local control over how funding can be used. This grant ceased on 31<sup>st</sup> March 2011.

**Budget**

A statement of the Council's policy expressed in financial terms. This includes both revenue and capital.

**Capital Adjustment Account**

The opening balance on this account represents the total of the Fixed Asset Restatement Accounts and the Capital Financing Accounts which were replaced at 1<sup>st</sup> April 2007. From 2007/08 the movements on the Capital Adjustment Account reflects the financing of capital expenditure from revenue and capital resources together with the reversal of amounts included in the Comprehensive Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the service potential or value of an existing fixed asset.

**Capital Financing Costs**

The costs of financing non current assets, being the interest costs of external loans and monies used to repay debt.

**Capital Receipts**

Income received from the sale of non current assets. Capital receipts can only be used to repay outstanding debt on non current assets or finance capital expenditure within rules set by government. Capital receipts however, cannot be used to finance revenue expenditure.

**Cash Equivalent**

Cash equivalents are investments that mature within 3 months of the date of acquisition and have no penalties for early redemption. For the Council this will include only money market deposits of less than 3 month duration.

**Central Support Services**

These are services provided by the central departments of the Council in respect of finance, personnel, legal, administration, communications, procurement, policy and property.

**Contingent Asset**

A contingent asset is a possible asset which could arise following the occurrence of a future event outside the Council's control.

**Contingent Liability**

A contingent liability is a possible liability which could arise following the occurrence of a future event outside the Council's control or is a present obligation where it is not possible to measure the outcome with sufficient reliability.

**Component Accounting**

In some cases there are significant elements of an asset that will not last as long as the rest of the asset e.g, a flat roof of a building in comparison to the life of the rest of the building. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

**Council Tax Precept**

A property based tax that is set by the Council and administered by District, Borough and Unitary Councils, alongside the share of Council Tax levied by other Local Authorities in Cumbria.

**Contingent Liability**

A potential liability at the balance sheet date, the outcome of which is uncertain, as it is dependent on a future event.

**Corporate and Democratic Core**

Comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above that would be incurred by a series of independent, single purpose nominated bodies managing the same service. There is no logical basis for apportioning these costs to services.

**Creditors**

Amounts owed by the Council for work done, goods received or services provided, but for which payment has not been made by the 31<sup>st</sup> March.

**Current Assets / Liabilities**

Assets and/ or Liabilities that are likely to be realised within 12 months of the balance sheet date.

**Curtailment**

Within the defined benefit schemes impacting on the financial results of the Council, curtailment will arise if an event occurs reducing the expected future service of employees. Normally, this arises from redundancy or early retirement or if there is an amendment to terms impacting on current employees.

**Debtors**

Debtors represent amounts due to the Council which are unpaid at 31<sup>st</sup> March.

**Defined Benefit Scheme**

Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

**Depreciation**

Depreciation is the fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

**Depreciated Replacement Cost**

The method employed in valuing land and buildings where a market value basis is not readily available.

**Expected Rate of Return on Pensions Assets**

The expected rate of return on pensions' assets is the average return expected during the remaining period of pension obligations.

**Employee Benefit Accrual**

Accrual calculated to take account of annual leave, flexi time and Time off in Lieu (TOIL) that has not been taken by staff by 31st March. This is included in the cost of service for that financial year.

**Fair Value**

Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In some circumstances this can be at existing use value and for others market value

**Finance Leases**

This is where substantially all the risks and rewards incidental to ownership of the asset transfer from the leasing company to the Council. Annual payments are a combination of interest and the purchase of the asset.

**Formula Grant**

Central government provides funding to local authorities through a grant known as Formula Grant, made up of Revenue Support Grant and Re-distributed Business Rates, in support of its general revenue expenditure.

**Non Current Assets**

Non current assets are tangible assets (i.e. assets with physical substance) intended to be used during more than one period.

**General Fund**

The account that summarises the revenue costs of providing services that are met by the Council's demand on collection fund, government grants and other income. The balance is the difference between the total of income over expenditure over the year.

**Heritage Assets**

Heritage assets are tangible assets with historical, artistic, scientific, technological or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. This includes archives, paintings and civic regalia.

**Impairment**

A reduction in value of a fixed asset below its carrying amount in the balance sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

**Imprest Account**

Petty Cash Accounts used for small items of expenditure.

**Intangible Assets**

Intangible assets are assets without physical substance such as software, licences etc.

**Inventories**

Assets that are held as stock as part of the delivery of services by the Council.

**LATS – Landfill Allowance Trading Scheme**

A 'cap and trade' scheme between Waste Disposal Authorities designed to reduce the overall amount of biodegradable municipal waste disposed of in landfill sites.

**LOBO - Lender Option Borrower Option**

A financial instrument which is typically very long-term - for example 40 to 60 years. The initial interest rate is fixed, but the lender has the option to nominate a revised rate at periodic reset dates. The reset dates are nominated at the time the loan is taken out. The borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

**Minimum Revenue Provision**

The amount set aside to repay external debt related to capital expenditure.

**National Non-Domestic Rates**

A tax collected locally by District Councils from commercial undertakings and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

**Net Current Replacement Cost**

The cost of replacing an asset in its existing condition and existing use.

**Non Current Assets / Liabilities**

Assets and/ or Liabilities that are likely to be realised after 12 months of the balance sheet date.

**Non-Operational Assets**

These are non current assets held by the Council which are not specifically used in the provision of services. Normally, this applies to investment properties or properties held for resale.

**Operational Assets**

These are non current assets held by the Council required to support the provision of services.

**Operating Leases**

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the Comprehensive Income & Expenditure Statement.

**Outturn**

Actual Income and Expenditure for a financial year.

**Past Service Costs**

Where pension scheme members receive enhanced or new benefits, the increase in the present value of future liabilities will be accounted for as past service costs.

**Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

**Provisions**

These are sums set aside to meet liabilities or losses that are likely to be or will be incurred, but the dates on which they will arise are not fully known at the date that the Statement of Accounts is approved.

**Reserves**

Amounts set aside to meet the cost of specific future expenditure. Earmarked reserves are set aside to meet revenue or capital needs in the future. The level of general fund (revenue) reserves is considered in relation to the risks and uncertainties facing the Council when it is setting its annual budget.

**Revenue Contributions to Capital Expenditure**

The amount of capital expenditure financed directly from the annual revenue budget.

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

**Revenue Support Grant (RSG)**

A general Central Government grant paid to the Council in support of annual revenue expenditure.

**Service Reporting Code of Practice (SeRCOP)**

This Code of Practice details standard definitions of services and total cost to enable spending comparisons to be made with other local authorities.

**The “Code”**

The Code of Practice on Local Authority Accounting in the UK 2011/12. It is the first Code that is based on International Financial Reporting Standards. The Code specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.