

## SECTION 3 - THE COUNTY COUNCIL'S ACCOUNTS

### INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007

The 2006 SORP introduced a number of key changes to the accounts. The consolidated Revenue Account has been replaced by an Income and Expenditure Account, and a Statement of Movement on the General Fund Balance. A Statement of Total Recognised Gains and Losses has been introduced which replaces the previous Statement of Movement in Reserves.

The Income and Expenditure Account summarises the amounts spent by the Council during the year in providing services and follows the national BVACOP classification of services. The Council's own organisational structure through directorates does not follow this classification. The Account also summarises income receivable in the year (general and specific grants, local taxation and income charged for services provided) and used to fund those services. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2005/06	Net Expenditure £'000	Service	Note to the Accounts	2006/07			
				Gross Expenditure £'000	Fees & Charges £'000	Income from Specific Grants £'000	Income from Net Expenditure £'000
		<b>Continuing Services:</b>					
665		Central Services to the Public	3.1	11,433	5,385	4,913	1,135
39,185		Cultural, Environmental and Planning Services	3.1	56,397	9,987	2,930	43,479
256,219		Education Services	3.1	412,661	46,605	324,321	41,735
26,624		Highways, Roads and Transport Services	3.1	28,338	2,659	2,894	22,786
131,630		Social Services	3.1	182,676	56,379	22,229	104,068
		Adult Social Services	3.1	38,574	539	4,347	33,688
		Childrens' Social Services	3.1	23,644	1,240	133	22,271
21,700		Fire & Rescue Services	3.1				
(1,806)		Court Services	3.1	6,235	1,834	1,537	2,863
4,270		Corporate and Democratic Core	3.17	2,131			2,131
(10,042)		Non Distributed Costs					
		Exceptional Costs					
(8,700)		Single Status / Equal Pay Claim	3.18				
867		Storm Damage	3.18				
460,612		<b>Net Cost of Services</b>		<b>762,089</b>	<b>124,627</b>	<b>363,305</b>	<b>274,157</b>
		<b>Other Items</b>					
13,398		(Gains)/ Losses on disposal of fixed assets	3.7				(6)
676		Precepts and Contributions	3.2				711
344		(Surplus)/ Deficits on Trading Accounts	3.3				8
15,275		Interest payable					11,583
(4,520)		Interest and Investment Income					(6,282)
17,899		Pensions Interest Cost & Return on Assets	3.17				16,673
503,684		<b>Net Operating Expenditure</b>					<b>296,845</b>
179,731		Revenue Support Grant					17,128
167,385		Council Tax Precepts					176,990
154,743		Non-Domestic Rates Pool					88,730
1,380		Surplus on Collection Fund					1,554
503,239		<b>Amounts received from Government Grants and Local Taxpayers</b>					<b>284,402</b>
(445)		<b>Surplus/ (Deficit) for the Year</b>					<b>(12,443)</b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE  
FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007**

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

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

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income & Expenditure Account and the General Fund.

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR  
ENDED 31<sup>st</sup> MARCH 2007**

2005/2006		Note to the Accounts	2006/07
£'000			£'000
(445)	Surplus/ (Deficit) for the year from the Income & Expenditure Account	3.19	(12,443)
(5,933)	Net additional amount required by statutory and non statutory proper practices to be debited or credited to the General Fund Balance for the year	3.19	12,817
<b>(6,378)</b>	<b>General Fund movements in the year to comply with statute and non-statute good practice</b>		<b>374</b>
13,015	General Fund Balance brought forward		6,637
<b>6,637</b>	<b>General Fund Balance carried forward</b>		<b>7,011</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007**

This Statement brings together all the gains and losses of the Council for the year to show the movement in the Council's Net Worth. In addition to the movement on the Income & Expenditure Account, it includes capital based transactions including fixed asset revaluations. It also includes the re-measurement of the net liability to cover the cost of retirement benefits.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST MARCH 2007**

2005/06 £'000		Note to the Accounts	2006/07 £'000
(445)	<b>Surplus/ (Deficit) for the years from the Income &amp; Expenditure Account</b>		(12,443)
24,609	Surplus/ (Deficit) arising on revaluation of fixed assets	3.41	4,427
(924)	Sums set aside to supplement Revenue Support Grant amendments	3.41	(320)
(12,226)	Asset Reclassification	3.41	0
(34,179)	Actuarial gains/ (losses) on pension fund assets and liabilities	3.41	55,381
4,497	Gain on transfer of Magistrates members from the Local Government Pension Scheme	3.41	0
3,346	Capital Receipts	3.41	1,462
1,112	Transfer of Magistrates Debt	3.41	0
1,406	Usage of Capital Fund	3.41	0
<b>(12,803)</b>	<b>Total Recognised Gains/ (Losses) for the year</b>		<b>48,506</b>
2005/06 £'000			2006/07 £'000
89,013	Opening Net Worth		76,210
76,210	Closing Net Worth		124,716
<b>(12,803)</b>			<b>48,506</b>

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2007

March 2006 £'000		Notes to the Accounts	March 2007 £'000	March 2007 £'000
	Fixed Assets (net):			
564,221	Operational Assets:			
143,632	Operational Land and Buildings	3.20		587,771
3,471	Infrastructure	3.20		166,549
10,481	Vehicles and Plant	3.20		4,180
48	Furniture and Equipment	3.20		11,731
	Community Assets:	3.20		48
	Non-operational Assets:			
7,356	Work in Progress	3.20		3,713
12,388	Investment Properties	3.20		
	Surplus Properties	3.20		8,444
<b>741,597</b>	<b>Total Fixed Assets</b>			<b>782,436</b>
3,213	Long Term Investments	3.21		3,213
3,985	Long Term Debtors	3.21		3,446
<b>748,795</b>	<b>Total Long Term Assets</b>			<b>789,095</b>
	Current Assets:			
458	Stocks, Stores, Work-in-Progress	3.22	490	
102,989	Temporary Investments	3.23	79,569	
53,503	Debtors	3.24	53,608	
5,495	Cash in Hand	3.27	16,448	150,115
<b>911,240</b>	<b>Total Assets</b>			<b>939,210</b>
	Current Liabilities:			
(81,784)	Creditors	3.25	(84,723)	
(2,188)	Short Term Borrowings	3.26	(1,079)	
	Bank Overdraft	3.27	(15,473)	(101,275)
<b>827,268</b>	<b>Total Assets less Current Liabilities</b>			<b>837,935</b>
(278,926)	Long Term Borrowings	3.28	(264,914)	
(29,190)	Deferred Grants	3.33	(45,052)	
(4,397)	Provisions	3.32	(3,511)	
(438,545)	Pensions Liability	3.17	(399,742)	(713,219)
<b>76,210</b>	<b>Total Assets less Liabilities</b>			<b>124,716</b>
	Financed by:			
359,302	Fixed Assets Restatement Account	3.31		363,729
100,063	Capital Financing Account	3.30		97,063
3,213	Long Term Investment Reserve	3.21		3,213
2,161	Capital Receipts Deferred	3.41		1,770
705	Capital Receipts Unapplied	3.29		407
1,572	Earmarked Capital Reserves	3.35		1,410
(438,545)	Pensions Reserve	3.17		(399,742)
41,102	Earmarked Balances	3.35		49,856
6,637	General Balances	3.34		7,011
<b>76,210</b>				<b>124,716</b>

## CASH FLOW STATEMENT AS AT 31<sup>st</sup> MARCH 2007

2005/06 £'000	Notes	£'000	£'000	2006/07 £'000
<b>Revenue Activities:</b>				
Cash Outflows:				
382,337		411,326		
298,277		331,461		
676		711		
681,290			743,498	
Cash Inflows:				
(179,731)		(17,128)		
(119,294)	3.46	(368,372)		
(167,245)		(176,990)		
(154,743)		(88,730)		
(545)		(1,045)		
(78,933)		(124,627)		
(700,491)			(776,892)	
Returns on Investments and Servicing of Finance:				
14,403		13,408		
(4,446)		(5,518)		
9,957			7,891	
(9,244)	3.43			(25,504)
<b>Capital Activities:</b>				
Cash Outflows:				
54,949		53,076		
9,176		11,973		
64,125			65,049	
Cash Inflows:				
(3,248)		(1,593)		
(18,190)	3.46	(22,108)		
(1,659)	3.46	(3,025)		
(23,097)			(26,726)	
41,028				38,323
31,784				12,819
<b>Management of Liquid Resources:</b>				
24,599		(22,311)		
24,599			(22,311)	
<b>Financing:</b>				
Cash Outflows:				
20,774		139,013		
20,774			139,013	
Cash Inflows:				
(78,468)		(125,000)		
(211)			(125,000)	
(78,679)				
(33,306)	3.45			(8,299)
(1,522)				4,520
<b>Net (increase) / decrease in cash</b>				

## NOTES TO THE ACCOUNTS

### 3.1 RELEVANT SPECIFIC GRANTS

Specific grants are received from Government to invest in services identified as being of primary national importance. A summary of these grants by service area is as follows:

<b>Service Area</b>	2005/06 £'000	2006/07 £'000
Education	73,208	324,321
Social Services	28,544	26,576
Community Economy & Environment	4,074	2,930
Highways	786	2,894
Fire Services	215	133
Other	1,797	6,451
	<b>108,625</b>	<b>363,305</b>

<b>Awarding Body</b>	2005/06 £'000	2006/07 £'000
Department for Education and Skills	74,672	80,078
Department for Education and Skills - Dedicated Schools Grant		246,418
Department for Transport	2,760	3,830
Department of Health	17,311	15,434
Department for Work and Pensions	44	
Department of Communities and Local Government	12,163	15,713
Department for Environment, Food & Rural Affairs	660	481
Countryside Agency		136
Home Office	199	
Arts Council of England	30	
North West Regional Development Agency	642	1,007
North West Centre for Excellence		73
North West Rural Affairs		11
European Regeneration Funding	144	123
	<b>108,625</b>	<b>363,305</b>

The most significant movement in the year is due to the introduction of the Dedicated Schools Grant by Government. The Revenue Support Grant provided to meet general expenditure of the Council has been reduced by a similar amount.

### 3.2 PRECEPTS AND CONTRIBUTIONS

The County Council is required to pay towards the expenses of certain bodies. These bodies precept upon the County Council, that is they require the County Council to raise revenue for them. In turn the County Council precepts on District Councils who are responsible for the collection of Council Tax.

Details of these precepts and contributions are as follows:

Precepts and Contributions	2005/06 £'000	2006/07 £'000
National Rivers Authority - Drainage	246	254
Cumbria Sea Fisheries	346	364
North Western Sea Fisheries	84	94
	<b>676</b>	<b>711</b>

### 3.3 TRADING UNDERTAKINGS

The Council operates a number of trading units that undertake work on behalf of the County Council and for outside bodies, subject to Government regulations on external trading. The financial results for the year 2006/07 are summarised in the table below.

2006/07	Legal Services £'000	Cumbria Information Systems £'000	Client Services excl. Cumbria Care & Port of Workington £'000	Cumbria Care £'000	Port of Workington £'000	Total £'000
Income	1,955		13,502	45,071	1,471	61,999
Expenditure	(1,824)		(13,858)	(45,624)	(1,607)	(62,913)
Asset Rentals				(905)		(905)
<b>Trading Surplus/ (Deficit)</b>	130		(356)	(1,458)	(136)	(1,819)
FRS17 Adjustments			(17)	(64)	(2)	(82)
Past Service Pension Costs			(473)	(1,839)		(2,312)
Transfer to related service			846	3,360		4,206
<b>Final Surplus/ (Deficit)</b>	130		(0)	0	(138)	(8)
2005/06	Legal Services £'000	Cumbria Information Systems £'000	CCS excl. Cumbria Care & Port £'000	Cumbria Care £'000	Port of Workington £'000	Total £'000
Income	1,780		13,423	43,459	1,329	59,991
Expenditure	(1,811)	(179)	(13,862)	(42,840)	(1,387)	(60,079)
Asset Rentals			(208)	(905)	(80)	(1,193)
<b>Trading Surplus/ (Deficit)</b>	(31)	(179)	(647)	(286)	(138)	(1,281)
FRS17 Adjustments			151	583	4	738
Past Service Pension Costs			(459)	(1,772)		(2,231)
Transfer to related service			955	1,475		2,430
<b>Final Surplus/ (Deficit)</b>	(31)	(179)			(134)	(344)

In 2006/07, Client Services operated the Port of Workington and also provided catering and procurement services to other Directorates. Adult Social Care operated Cumbria Care and Legal Services operated within Finance & Central Services. Budgets are set for trading entities so that they should perform at break-even or better. However, these budgets are set on the basis of pension contributions payable rather than anticipating the actuarial assumptions required for FRS17 purposes. In addition, trading entities are not charged for any past service element of pension contributions. These costs are held within central budgets. The Best Value Accounting Code of Practice requires material gains or losses on trading services to be allocated to the services to which they relate. Accordingly during 2006/07 losses within Cumbria Care

were allocated to Adult Social Care and losses within other Client Services operations were allocated to Education, Highways, Roads and Transport within the Income & Expenditure Account, solely for the purposes of complying with national accounting guidance.

The Council also operates the Windermere Ferry as an external trading body administered by Client Services. Current policy is to fix prices at the level necessary to ensure that the undertaking is self financing. The financial results for the year are summarised below and are incorporated within the Highways, Roads and Transport figures in the Income & Expenditure Account.

Trading Undertakings	2005/06 £'000	2006/07 £'000
<b>Windermere Ferry:</b>		
Income from charges	391	490
Expenditure	309	338
<b>Operating Surplus/ (Deficit)</b>	82	152
Interest on balances	3	3
<b>Final Surplus/ (Deficit)</b>	85	155
Transfer to the County Council	118	155
Transfer to/ (from) Maintenance Reserve	(33)	
	85	155

### 3.4 COUNTY PRECEPT

The County Council receives its own share of Revenue Support Grant and National Non-Domestic Rates directly from the Government. The balance of the County Council's net requirements is raised from the Council Tax via the six District Councils' collection funds.

### 3.5 PUBLICITY AND ADVERTISING

Under the regulations issued in accordance with the provisions of section 4 (5) of the Local Government Act 1986, a local authority is required to declare, in any annual financial statement the amount spent on publicity. The definition includes most advertising. The following table includes all advertising whether covered by the regulations or not.

Publicity and Advertising	2005/06 £'000	2006/07 £'000
Information and Communication Unit	346	361
Advertising:		
Staff Vacancies	1,203	862
Legal and Other	837	1,439
	2,386	2,662



### 3.9 OFFICERS' EMOLUMENTS

In 2006/07 the number of senior employees who received remuneration in excess of £50,000 fell into the following bands:

	2005/06	2006/07		Total
	Total	School Staff	Other Staff	
£50,000-£59,999	41	39	27	66
£60,000-£69,999	31	17	16	33
£70,000-£79,999	11	4	4	8
£80,000-£89,999	3	3		3
£90,000-£99,999	1	2	5	7
£100,000-£109,999			1	1
£110,000-£119,999				
£120,000-£129,999	1		1	1
£130,000-£139,999	1			
£150,000-£159,999			1	1
	89	65	55	120

Remuneration for these purposes includes all sums paid to or receivable by an employee, sums due by way of expense allowances and the money value of any other benefits received other than in cash. All pension contributions are excluded.

### 3.10 MEMBERS' ALLOWANCES

Allowances paid to members during 2006/07 were:

Type of Allowance	2005/06 £'000	2006/07 £'000
Basic Allowances	622	637
Special Responsibility Allowances	265	274
	887	911

### 3.11 LONG TERM CONTRACTS

With effect from the 1<sup>st</sup> February 2001 the Council entered a long term seven year contract with Capita PLC to provide a variety of professional support services including payroll, personnel services, financial transaction processing and engineering and architectural services for the Council's building maintenance and capital programmes including Highways. The majority of these services have been extended until 31<sup>st</sup> January 2011. Payments to Capita PLC under the contract in 2006/07 totalled £23.4 million. Long-term contracts with Amey (for construction related work) and Agilisys (for Information Communications Technology) commenced on 1<sup>st</sup> April 2005. These contracts are both for 7 years. Contracted payments to Agilisys in 2006/07 totalled £7.7 million and to Amey in 2006/07 totalled £26.7 million.

### 3.12 SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 permits expenditure on items for which there is no other statutory provision up to a limit of £1.90 per head of population. In 2006/07 no expenditure is declared under this power.

### 3.13 AUDIT FEES

The County Council incurred the following fees in respect of external audit and statutory inspection:

	2005/06 £'000	2006/07 £'000
Code of Practice Audit	265	300
Inspections	26	81
Grant Claims	128	121
	<b>419</b>	<b>502</b>

### 3.14 LEASES

The County Council does not use finance leases as a mechanism for financing asset acquisitions. Operating leases were:

Income	2005/06	2006/07 Operational Land & Buildings	2006/07 Other Leases
	£'000	£'000	£'000
Rental Income	1,496	1,550	
Service Charges Received			
	<b>1,496</b>	<b>1,550</b>	
Total Future Rental Income			
Next Year	1,487	883	
Years 2 to 5	1,048	922	
Thereafter	758	761	

Expenditure	2005/06	2006/07 Operational Land & Buildings	2006/07 Other Leases
	£'000	£'000	£'000
Rental Payments	860	739	218
Service Charges	205	192	
	<b>1,065</b>	<b>931</b>	<b>218</b>
Total Future Rental Obligations			
Next Year	532	552	126
Years 2 to 5	985	773	172
Thereafter	489	199	

### 3.15 POOLED BUDGETS

Within Adult & Children's Social Care, there are occasions where the needs of service users cannot be met in full from within the County Council. In particular, there is a need to work with Primary Care Trusts as well as the Police and Probation services. The County 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 County 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 County Council's share of overall surpluses or deficits are credited or charged to Adult Social Care and Children's Services.

### **Learning Disabilities Pooled Fund**

Cumbria County Council acts as a host agency for the Learning Disabilities Pooled Fund, which was established in April 2000 under Section 31 of the Health Act 1999. The purpose of the pool is to arrange for commissioning and provision of services to people who have learning disabilities.

### **Youth Offending Service**

Cumbria County 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.

### **Intermediate Care Funds**

The County Council is a contributor to a number of Intermediate Care Pooled Funds in association with the county's Primary Care Trust. It was established under Section 31 of the Health Act 1999. The aim of the funds is to prevent unnecessarily prolonged hospital stays or inappropriate hospital admission to acute in-patient care, long term residential and nursing home care or continuing NHS in-patient care. The planned outcome for service users is to maximise independence and enable people to continue to live at home. The Primary Care Trust acts as host for the pooled fund.

### **Mental Health Pooled Fund**

The aim of the Mental Health Pooled Fund is to facilitate joint commissioning of services and integrated teams in South Cumbria. Following the restructuring in the Health Service, the successor body to Morecambe Bay PCT did not wish to continue with the arrangements. Adult Social Care was the lead partner and host for the fund which ceased on 30<sup>th</sup> September 2006.

### **Acquired Brain Injury**

The aim of the Acquired Brain Injury Pooled Fund is to facilitate joint commissioning of services and integrated teams in Cumbria. Adult Social Care is the lead partner and host for the fund.

### **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, however, in South Cumbria Adult Social Care is the lead partner.

## Generic Care

The Generic Care Service aims to reduce inappropriate hospital and residential care admission and facilitate early discharge from hospital. Planned outcomes for users of the service are maximising independence and improving quality of life for service users and their carers. The fund operates in West Cumbria and is hosted by the County Council.

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

2006/07		Acquired Brain Injury £'000	Learning Disability Pooled Fund £'000	Youth Offending Service £'000	Intermediate Care Pooled Fund £'000	Mental Health Pooled Fund for South Lakes (Ceased 30/9/06) £'000	Integrated Community Equipment Services - North £'000	Integrated Community Equipment Services - South £'000	Generic Care £'000
<b>Income</b>	Cumbria County Council	56	17,844	927	2,026	314	352	295	280
	Cumbria PCT	82	18,778	136	2,254		76	86	280
	Cumbria Police Service			146					
	Cumbria Probation Service			150					
	Morecambe Bay PCT					460			
		138	36,622	1,359	4,280	774	428	381	560
<b>Expenditure</b>		141	36,789	1,349	4,066	742	428	384	523
<b>Surplus / (Deficit)</b>		(3)	(167)	10	214	32		(3)	37
<b>Cumbria County Council's share of Surplus / (Deficit)</b>		(3)	(81)	7	92	13		(2)	19
2005/06		Learning Disability Pooled Fund £'000	Youth Offending Service £'000	Intermediate Care Pooled Fund £'000	Mental Health Pooled Fund for South Lakes £'000	Integrated Community Equipment Services - North £'000	Integrated Community Equipment Services - South £'000	Generic Care £'000	
<b>Income</b>	Cumbria County Council	15,200	901	2,139	623	311	407	291	
	Eden Valley PCT		146						
	Morecambe bay PCT	5,916	142	823	892		174		
	West Cumbria PCT								
	North Cumbria PCT	10,426		1,279		41		245	
Cumbria Police Service		45							
Cumbria Probation Service		88							
		31,542	1,322	4,241	1,515	352	581	536	
<b>Expenditure</b>		33,505	1,294	4,115	1,468	365	539	517	
<b>Surplus / (Deficit)</b>		(1,963)	28	126	47	(13)	42	19	
<b>Cumbria County Council's share of Surplus / (Deficit)</b>		(946)	19	44	20	(11)	30	11	

## 3.16 MINIMUM REVENUE PROVISION

The County Council is required to set aside a minimum revenue provision for the redemption of external debt. For 2006/07 this amount was £10,000,965. The difference between this amount and depreciation is transferred to the Capital Financing Account to ensure capital charges do not impact on the amount to be raised by Government grant and local taxation.

## 3.17 PENSION POSITION

The County Council's staff belong to the following pension schemes.

### Cumbria Local Government Pension Fund

The total of employers' contributions to the Cumbria Local Government Pension Fund in 2006/07 was £22.3 million, which represented 16.4% of pensionable pay. The contribution rates are based upon a triennial actuarial review of the fund. Figures for 2006/07 are based on the review carried out by the Council's actuaries 'Mercers Human Resource Consultancy' at the 31<sup>st</sup>

March 2004. Additional pensions, redundancy related pensions and actuarial strain payments totalled £3.2 million in 2006/07.

## Teachers

Employers' contributions to the Teachers Pension Fund totalled £19,713,451 in 2006/07. Employers' contributions were 13.5% of pensionable pay until 31<sup>st</sup> December 2006. Thereafter, they were increased to 14.1% of pensionable pay. Additional and discretionary pensions paid to retired teachers by the County Council totalled £3,431,024.

## Firefighters

The fire service has two pension schemes. Under the 1992 Scheme benefits paid, including lump sums, were £4,237,530. Employee contributions were £907,038 (11%) and employer contributions were £1,753,226 which equated to 19.1% of pensionable pay. Under the 2006 Scheme there were no benefits paid. Employee contributions were £18,460 (8.5%) and employer contributions were £23,889 which equated to 11% of pensionable pay.

## PENSIONS COSTS AND LIABILITIES

	LGPS		Fire Service Pension Scheme			Teachers			TOTAL	
	31-Mar-06 £000	31-Mar-07 £000	31-Mar-06 £000	31-Mar-07 £000		31-Mar-06 £000	31-Mar-07 £000	31-Mar-06 £000	31-Mar-07 £000	
Estimated Employers' Assets	564,613	609,820						564,613	609,820	
Present Value of Employer Pensions Liability	(806,908)	(816,394)	(156,610)	(155,640)		(39,640)	(37,528)	(1,003,158)	(1,009,562)	
<b>Net Present Liability</b>	<b>(242,295)</b>	<b>(206,574)</b>	<b>(156,610)</b>	<b>(155,640)</b>		<b>(39,640)</b>	<b>(37,528)</b>	<b>(438,545)</b>	<b>(399,742)</b>	
<b>Movements in Income &amp; Expenditure A/c</b>										
<b>Operating Costs</b>										
Current Service Costs	(20,962)	(25,128)	(4,740)	(5,480)				(25,702)	(30,608)	
Non Distributed Costs										
Past Service Costs	10,992	(1,014)				(7)		10,985	(1,014)	
Curtailment Costs	(634)	(918)				(309)	(199)	(943)	(1,117)	
	10,358	(1,932)				(316)	(199)	10,042	(2,131)	
<b>Finance Costs</b>										
Expected Return on Assets	28,462	32,649						28,462	32,649	
Interest on Pension Liabilities	(37,612)	(39,755)	(6,750)	(7,700)		(1,999)	(1,867)	(46,361)	(49,322)	
	(9,150)	(7,106)	(6,750)	(7,700)		(1,999)	(1,867)	(17,899)	(16,673)	
<b>Pension Payments</b>	<b>24,208</b>	<b>25,529</b>	<b>3,970</b>	<b>4,210</b>		<b>3,059</b>	<b>3,095</b>	<b>31,237</b>	<b>32,834</b>	
<b>Movement on Pension Reserve</b>	<b>4,454</b>	<b>(8,637)</b>	<b>(7,520)</b>	<b>(8,970)</b>		<b>744</b>	<b>1,029</b>	<b>(2,322)</b>	<b>(16,578)</b>	
<b>Movements in STRGL</b>										
Actuarial gains/ (losses) on Scheme assets and liabilities										
Asset Gain/ (loss)	70,910	3,319						70,910	3,319	
Liability Gain/ (Loss)	(15,395)		(2,480)	370		(1,831)	1,083	(17,875)	370	
Change in Assumptions	(63,323)	41,039	(22,060)	9,570		(1,831)	1,083	(87,214)	51,692	
	(7,808)	44,358	(24,540)	9,940		(1,831)	1,083	(34,179)	55,381	
Gain on transfer of Magistrates members	4,496							4,496		
<b>Net Gain/ (Loss)</b>	<b>(3,312)</b>	<b>44,358</b>	<b>(24,540)</b>	<b>9,940</b>		<b>(1,831)</b>	<b>1,083</b>	<b>(29,683)</b>	<b>55,381</b>	
<b>TOTAL MOVEMENT</b>	<b>1,142</b>	<b>35,721</b>	<b>(32,060)</b>	<b>970</b>		<b>(1,087)</b>	<b>2,112</b>	<b>(32,005)</b>	<b>38,803</b>	
<b>Liabilities at beginning of year</b>	<b>(243,437)</b>	<b>(242,295)</b>	<b>(124,550)</b>	<b>(156,610)</b>		<b>(38,553)</b>	<b>(39,640)</b>	<b>(406,540)</b>	<b>(438,545)</b>	
<b>Liabilities at end of year</b>	<b>(242,295)</b>	<b>(206,574)</b>	<b>(156,610)</b>	<b>(155,640)</b>		<b>(39,640)</b>	<b>(37,528)</b>	<b>(438,545)</b>	<b>(399,742)</b>	
<b>Assumptions (% per year)</b>	<b>30-Mar-05</b>	<b>31-Mar-06</b>	<b>31-Mar-07</b>	<b>30-Mar-05</b>	<b>31-Mar-06</b>	<b>31-Mar-07</b>	<b>30-Mar-05</b>	<b>31-Mar-06</b>	<b>31-Mar-07</b>	
Price increases	2.90%	2.90%	3.10%	2.90%	3.20%	3.40%	2.90%	2.90%	3.10%	
Salary increases	4.65%	2.90%	4.85%	4.40%	4.70%	4.90%				
Rate of increase in Pensions	2.90%	2.90%	3.10%	2.90%	3.20%	3.40%	2.90%	2.90%	3.10%	
Discount rate	5.40%	4.90%	5.40%	5.40%	4.90%	5.40%	5.40%	4.90%	5.40%	
<b>Long Term Returns (% per year)</b>	<b>30-Mar-05</b>	<b>31-Mar-06</b>	<b>31-Mar-07</b>							
Equities	7.50%	7.00%	7.50%							
Government Bonds	4.70%	4.30%	4.70%							
Bonds	5.40%	4.90%	5.40%							
Property	6.50%	6.00%	6.50%							
Cash/ Liquidity	4.75%	4.50%	5.25%							
Other		7.00%	7.50%							
	Fund Value at 31-Mar-06	Proportion of the Fund %	Fund Value at 31-Mar-07							
Equities	335,945	59.50%	362,842							
Government Bonds	120,263	19.80%	120,744							
Bonds	53,638	9.70%	59,153							
Property	42,346	8.40%	51,225							
Cash/ Liquidity	12,421	2.50%	15,246							
Other		0.10%	610							
	564,613	100.00%	609,820							

## ACTUARIAL GAINS/(LOSSES) ON PENSIONS RESERVE

	LGPS		Fire Service Pension Scheme		Teachers	
	£'000	%	£'000	%	£'000	%
<b>2006/07</b>						
Difference between actual and expected returns on assets	3,319	12.6%				
Difference between actual and expected returns on liabilities		-1.9%	370	0.2%		
Change in actuarial assumptions	41,039	-7.8%	9,570	6.1%	1,083	2.9%
<b>Net Gain / (Loss)</b>	<b>44,358</b>	<b>-1.0%</b>	<b>9,940</b>	<b>6.4%</b>	<b>1,083</b>	<b>2.9%</b>
<b>2005/06</b>						
Difference between actual and expected returns on assets	70,910	3.6%				
Difference between actual and expected returns on liabilities	(15,395)	-3.4%	(2,480)	-2.5%		-1.1%
Change in actuarial assumptions	(63,323)	-16.7%	(22,060)	-21.7%	(1,831)	-8.9%
<b>Net Gain / (Loss)</b>	<b>(7,808)</b>	<b>-17.8%</b>	<b>(24,540)</b>	<b>-24.2%</b>	<b>(1,831)</b>	<b>-10.0%</b>
<b>2003/04</b>						
Difference between actual and expected returns on assets	51,617	12.4%				
Difference between actual and expected returns on liabilities			(4,190)	-4.7%	(1,491)	-4.2%
Change in actuarial assumptions			(13,610)	-15.3%		
<b>Net Gain / (Loss)</b>	<b>51,617</b>	<b>-17.8%</b>	<b>(17,800)</b>	<b>-20.0%</b>	<b>(1,491)</b>	<b>-4.2%</b>
<b>2002/03</b>						
Difference between actual and expected returns on assets	(103,628)	-30.7%				
Difference between actual and expected returns on liabilities			(1,500)	-2.2%	1,482	4.0%
Change in actuarial assumptions			19,000	28.2%	547	1.5%
<b>Net Gain / (Loss)</b>	<b>(103,628)</b>	<b>-30.7%</b>	<b>17,500</b>	<b>26.0%</b>	<b>2,029</b>	<b>5.5%</b>

### 3.18 EXCEPTIONAL COSTS

#### Equal Value Pay Claims

The Council has set aside a further £6.0 million during 2006/07 to meet the potential costs of the equal value pay claim lodged by a number of the Council's employees. As there is considerable uncertainty concerning the final outcome, it is not possible to calculate a realistic provision. Consequently, the Council is continuing to build an earmarked reserve to support the funding of the final liability. This reserve stands at £21.3 million. If the Council's current reserves are insufficient to meet the final expenditure on equal pay claims then any borrowing and use of capital receipts to fund the payments will be dependent on obtaining government approval to capitalise the expenditure. Further information on this can be found in the Review of the Year (Section 1), Earmarked Reserves (Section 3.35) and within Contingent Liabilities (Section 3.37).

### 3.19 STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2005/06		Note to the Accounts	2006/07	2006/07
£'000			£'000	£'000
(445)	Surplus/ (Deficit) for the year from the Income & Expenditure Account			(12,443)
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
15,604	Depreciation and impairment of fixed assets	3.7	14,883	
(18,757)	Government Grants Deferred	3.7	(4,276)	
2,169	Deferred Charges	3.21	5,519	
13,398	(Gains) / Losses on disposal of fixed assets	3.7	(6)	
2,322	Net charges made for retirement benefits in accordance with FRS 17	3.17	49,412	
14,736				65,532
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund for the year			
(9,235)	Statutory provision for the repayment of debt	3.16	(10,001)	
(719)	Capital Expenditure charged to the General Fund Balance	3.30	(1,288)	
(9,954)	Employer's contributions payable to Pension Funds and retirement benefits payable direct to pensioners		(32,834)	(44,123)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
(3,048)	Transfers (to) / from Earmarked Reserves:			
748	Schools	3.41	(3,320)	
(8,415)	Capital	3.41	162	
(10,715)	Other	3.41	(5,434)	(8,592)
(5,933)	<b>General Fund movements in the year to comply with statute and non-statute good practice</b>			12,817
(6,378)	<b>Increase / (Decrease) in General Fund Balance for the Year</b>			374
13,015	General Fund Balance brought forward			6,637
6,637	<b>General Fund Balance carried forward</b>			7,011

### 3.20 FIXED ASSETS

Movements on fixed assets during the year were:

	Operational Assets						Non-Operational Assets				All Fixed Assets
	Operational Land & Buildings £000	Infrastructure £000	Vehicles & Plant £000	Furniture & Equipment £000	Community Assets £000	TOTAL £000	Non-Operational Land & Build £000	W.I.P. £000	Investment Properties £000	TOTAL £000	TOTAL £000
At 1st April 2006	578,055	175,342	10,643	20,043	48	784,131	12,685	7,356		20,041	804,172
Asset Reclassification	2,519					2,519	(2,519)			(2,519)	
Acquisition in the year			1,171	2,546		3,717					3,717
Enhancements in the year		26,652				26,652		21,104		21,104	47,756
Disposals in the year			(359)			(359)	(209)			(209)	(568)
Restatements	(10,933)					(10,933)					(10,933)
Revaluations in the year	33,621					33,621					33,621
Work in Progress written off								(24,747)		(24,747)	(24,747)
Gross Value at 31st March 2007	603,262	201,994	11,455	22,589	48	839,348	9,957	3,713		13,671	853,019
Accrued Depreciation at 1st April 2006	13,834	31,710	7,172	9,562		62,278	297			297	62,575
Asset Reclassification	(1,119)					(1,119)	1,119			1,119	
Depreciation on Revaluations	(6,554)					(6,554)	(14)			(14)	(6,569)
Depreciation in the year	9,216	3,735	406	1,296		14,653	115			115	14,768
Impairment	115					115					115
Disposals in the year			(303)			(303)	(3)			(3)	(307)
Total Depreciation at 31st March 2007	15,491	35,445	7,275	10,858		69,069	1,513			1,513	70,583
Net Value at 1st April 2006	564,221	143,632	3,471	10,481	48	721,853	12,388	7,356		19,744	741,597
<b>Net Value at 31st March 2007</b>	<b>587,771</b>	<b>166,549</b>	<b>4,180</b>	<b>11,731</b>	<b>48</b>	<b>770,279</b>	<b>8,444</b>	<b>3,713</b>		<b>12,157</b>	<b>782,436</b>

### 3.20.1 SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

<b>Service Area:</b>	£000
Education	23,068
Social Services	1,553
Highways and Transport Services	27,372
Cultural, Environment & Planning	8,102
Fire Services	1,599
Other	1,753
	<b>63,447</b>
<b>Expenditure:</b>	
Acquisitions	3,717
Enhancements	47,756
Deferred Charges	11,973
Capital Creditors b/f	
	<b>63,447</b>
<b>Funding Source:</b>	
Borrowing	32,964
Grants and Contributions	27,175
Usable capital receipts	2,021
Capital Fund	
Revenue contributions	1,288
	<b>63,447</b>

### 3.20.2 MOVEMENT ON CAPITAL FINANCING REQUIREMENTS

	2005/06 £000	2006/07 £000
Opening Capital Financing Requirement	234,626	253,043
<b>Expenditure</b>		
Acquisitions	4,382	3,717
Enhancements	50,567	47,756
Deferred Charges	9,176	11,973
	<b>64,125</b>	<b>63,447</b>
<b>Sources of Finance</b>		
Capital Receipts	(4,031)	(2,021)
Government Grants & Contributions	(29,205)	(27,175)
Capital Fund	(1,406)	
Transfer of Magistrates Debt	(1,112)	
Minimum Revenue Provision	(9,235)	(10,001)
Revenue Contributions	(719)	(1,288)
	<b>(45,708)</b>	<b>(40,484)</b>
<b>Movement</b>	<b>18,417</b>	<b>22,963</b>
Closing Capital Financing Requirement	253,043	276,006
<b>Explanation of movement in the year:</b>		
Increase in underlying need to borrow		
- Supported by Government financial assistance	18,417	19,410
- Unsupported by Government financial assistance		3,553
	<b>18,417</b>	<b>22,963</b>

### 3.20.3 MAJOR ITEMS OF CAPITAL EXPENDITURE IN THE YEAR

	£000
<b>Projects over £600,000</b>	
Schools' Standards Fund	15,429
Highways Non Principal Roads Maintenance	10,359
Land Reclamation Schemes	6,444
Primary Road Network Maintenance	2,827
Priority Transport Improvement Schemes	1,855
Education - Facilities for Sports and Arts	2,471
Bridge Assessments, Maintenance, Strengthening	1,384
Highways - Other	1,042
Highways - Major Works	3,533
De- Trunked Road Schemes	1,280
Children's Centres	1,339
Fire Service Vehicles	1,145
Extended Schools	968
	50,076
<b>Other projects - below £600,000</b>	13,371
	<b>63,447</b>

### 3.20.4 SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL EXPENDITURE

The Council's approved capital programme shows the following capital projects that are due to start in 2007/08:

Project	£000
Improvements in Schools	32,568
Structural Maintenance - Highways & Bridges	24,784
Environmental, Protective and Cultural Services	10,516
Reclamation	3,244
Improvements - Social Services Accommodation	2,158
	<b>73,270</b>

### 3.20.5 ANALYSIS OF FIXED ASSETS OVER SERVICES

	2005/06 £000	2006/07 £000
Education (mainly schools)	458,863	476,333
Highways (mainly roads & bridges)	147,631	171,194
Social Services (mainly residential homes)	54,846	54,846
Office accommodation	14,913	26,406
Libraries	18,981	18,583
Industrial Estates, Nursery Factories	502	532
Fire (mainly Fire stations & appliances)	26,238	27,212
Other services	19,623	7,329
	<b>741,597</b>	<b>782,436</b>

### 3.20.6 FIXED ASSETS IN THE OWNERSHIP OF THE COUNCIL

	31-Mar-06 No.	31-Mar-07 No.
Nursery & Primary schools	189	187
Secondary schools	23	23
Special schools & centres	13	13
School Meals kitchen & dining centres	333	330
Principal roads (km)	656	782
Other county roads (km)	6,650	6,650
Green lanes (km)	388	388
Highway depots	26	21
Public libraries	53	53
Mobile libraries	13	12
Homes & hostels	7	7
- children	33	33
- elderly	14	14
- disability & mental health	5	4
Day / family centres	4	4
- children	11	11
- elderly	2	2
- disability & mental health	37	37
Child examination centres	17	17
Fire stations	351	348
Country parks (hectares)	460	438
Smallholdings (hectares)	21	21
Other Farms and estates (hectares)		
Office accommodation ('000 sq metres)		

### 3.21 DEFERRED CHARGES, LONG TERM INVESTMENTS AND LONG TERM DEBTORS

	Balance at 1st April 2006 £000	Expenditure £000	Grants and Contributions Receivable £000	Amounts written off £000	Balance at 31st March 2007 £000
<b>Deferred charges:</b>					
Industrial Promotion		138		(138)	
Other contributions		5,381		(5,381)	
Reclamation		6,444	(6,444)		
		11,963	(6,444)	(5,519)	
<b>Investments in Companies:</b>					
Cumbria Waste Management	2,813				2,813
Kingmoor Park Properties	400				400
	3,213				3,213

	Balance at 1st April 2006 £000	Debts Raised £000	Debts Repaid £000	Balance at 31st March 2007 £000
<b>Long term debtors:</b>				
Capital Receipt due under Amey Contract	1,764		(403)	1,361
Charlotte Mason & Barrow 6th Form Colleges	752		(37)	715
Probation	451		(18)	433
Magistrates	1,018		(81)	937
	3,985		(539)	3,446

As the result of Government legislation, Cumbria Waste Management Ltd 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. The market value of these shares is not known and the valuation has been maintained as at the date of transfer. The Council is exploring the sale of its holding in Cumbria Waste Management as part of the Invest to Save and Improve Initiative.

The County Council retained a 5% shareholding in Kingmoor Park Properties Ltd until 13<sup>th</sup> April 2007, following the development of the Kingmoor Business Park, in which the Council was a major partner. The shares are shown in the Council's balance sheet at cost of £400,000.

Capital receipts from Amey are due over the life of the contract (7 years). Receipts due in the next 12 months are treated as debtors with the remaining receipts treated as a long term debtor. The total amount of these receipts is treated as a Capital Receipts Deferred reserve.

The long term debtor on Probation represents sums due from the Home Office in relation to pre 1990 Probation debts, incurred financing capital schemes. The debt is repayable in annual instalments over 25 years. This also applied to the debt repayable to Barrow 6<sup>th</sup> Form College. The long term debtors for Magistrates and Charlotte Mason College are being repaid in accordance with Minimum Revenue Provision rules, namely at 4% per annum.

### 3.22 STOCKS AND WORK IN PROGRESS

	31-Mar-06 £000	31-Mar-07 £000
Work in progress		
Stocks & stores:		
Cumbria Contract Services	8	1
Highways Clients	128	180
Cumbria Catering Service	65	53
Fire Service	186	174
Schools	57	58
Other services	14	24
	<b>458</b>	<b>490</b>

### 3.23 TEMPORARY INVESTMENTS

All investments are in respect of the temporary use of revenue balances pending their use in funding expenditure. The temporary investments at 31<sup>st</sup> March 2007 were:

	31-Mar-06 £000	31-Mar-07 £000
Repayable within:		
1 week	20,812	28,569
1 month	7,000	7,000
3 months	21,300	9,000
6 months		10,000
1 year	53,877	25,000
	<b>102,989</b>	<b>79,569</b>

### 3.24 DEBTORS

Sums due to the Council as at 31<sup>st</sup> March 2007 are analysed as follows:

	31-Mar-06 £000	31-Mar-07 £000
<b>Debtors:</b>		
Central Government	20,832	22,085
Public Authorities	4,618	1,390
Other Local Authorities	1,927	2,147
Car loans to employees	642	634
Other debtors	26,688	27,819
Less: Provision for Bad Debts	(2,808)	(3,284)
	<b>51,899</b>	<b>50,791</b>
<b>Prepayments:</b>		
Central Government		27
Public Authorities		7
Other Local Authorities		7
Other	1,604	2,775
	<b>1,604</b>	<b>2,817</b>
	<b>53,503</b>	<b>53,608</b>

### 3.25 CREDITORS

Creditors due at 31<sup>st</sup> March 2007 were:

	31-Mar-06 £000	31-Mar-07 £000
<b>Creditors:</b>		
Central Government	18,785	14,417
Public Authorities		2,500
Other Local Authorities	2,464	2,166
Suppliers of goods and services	40,535	42,095
	<b>61,784</b>	<b>61,178</b>
<b>Income in advance:</b>		
Central Government	9,730	12,864
Public Authorities		168
Other Local Authorities	265	405
Suppliers of goods and services	10,005	10,108
	<b>20,000</b>	<b>23,545</b>
	<b>81,784</b>	<b>84,723</b>

### 3.26 SHORT TERM BORROWINGS

This represents the cash balances of other bodies operated through the Council's bank accounts and is made up as follows:

	31-Mar-06 £000	31-Mar-07 £000
Cumbria Local Government Pension Fund	2,099	1,475
Firefighters Pension Fund		(478)
Cumbria Trust Funds	62	73
Cumbria Sea Fisheries	27	10
	2,188	1,079

### 3.27 BANK BALANCE

The balance on the Council's main bank accounts at 31<sup>st</sup> March 2007 was £15,473,268 overdrawn, whilst the balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £16,448,520 in hand. The overdrawn bank balance quoted above should not be confused with the Council's 'cleared bank balance, which is actively managed close to zero on a daily basis by the Council's Treasury Management function, to maximise interest receipts and minimise interest payments.

### 3.28 CAPITAL BORROWING

The Council's borrowings at 31<sup>st</sup> March 2007 were:

	Average	Average	31-Mar-06	31-Mar-07
	Interest Rate	Interest Rate		
	%	%	£000	£000
	31-Mar-06	31-Mar-07		
Public Works Loan Board	5.67%	4.97%	252,592	238,700
Market Loans & Local Bonds	4.01%	4.59%	25,654	25,638
Other Local Authorities	7.51%	6.70%	680	576
			<b>278,926</b>	<b>264,914</b>
			31-Mar-06	31-Mar-07
			£000	£000
Maturing within:				
1 year			9,324	11,214
1 - 2 years			10,000	
2 - 5 years			28,000	
5 - 10 years			8,500	5,500
more than 10 years			223,102	248,200
			<b>278,926</b>	<b>264,914</b>

### 3.29 CAPITAL RECEIPTS UNAPPLIED

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

	31-Mar-06	31-Mar-07
	£000	£000
Balance at beginning of the year	1,498	705
Sale of assets	3,248	1,722
	<b>4,746</b>	<b>2,427</b>
Used to finance expenditure	(4,031)	(2,021)
De minimis expenditure applied	(10)	
Provision for repayment of debt		
Balance at end of year	<b>705</b>	<b>407</b>

### 3.30 CAPITAL FINANCING ACCOUNT

The Capital Financing Account records the financing of the Council's capital programme.

	31-Mar-06 £000	31-Mar-07 £000
Balance brought forward	82,576	100,063
Minimum Revenue Provision net of depreciation	(8,538)	(10,585)
Transfer of Magistrates Debt	1,112	
Usable Capital Receipts applied	4,031	2,021
Capital Fund usage	1,406	
Deferred Grants etc. write down	18,757	4,276
Revenue Contributions to Capital Expenditure	719	1,288
	100,063	97,063

No entry is made in the capital financing reserve for reclamation works. These form part of the Council's capital programme in note 3.21 and are generally undertaken on an agency basis on behalf of Government. Funding for reclamation schemes is offset against the debts which accrue as the Council incurs expenditure on these projects.

### 3.31 FIXED ASSET RESTATEMENT ACCOUNT

Prior to 1994-95, the Council held assets on the Balance Sheet at values which represented written down historical cost. From 1994-95, assets are shown in the Balance Sheet at current value. The Fixed Asset Restatement Account records the effect of the revaluations, which have taken place. Capital Accounting rules require that all properties are revalued on a five yearly cycle.

	Land & Buildings £000	Infrastructure £000	Vehicles & Plant £000	Furniture & Equipment £000	Deferred Charges £000	TOTAL £000
Balance at start of the year	356,329	(2,303)	5,933	(572)	(85)	359,302
Write Off's	(83)					(83)
Revaluations during the year	29,257					29,257
Work in progress covered by revaluations	(24,747)					(24,747)
	360,756	(2,303)	5,933	(572)	(85)	363,729

### 3.32 PROVISIONS

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. From 2002/03 the accumulated funds set aside have been segregated into two elements. The insurance provision shown here represents the sum estimated to meet claims identified at 31<sup>st</sup> March 2007. 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 plus any retrospective claims yet to be identified for the period to 31<sup>st</sup> March 2007 (Section 3.35). The provision covers liability, motor, fire risks and storm damage. The remaining provision is for pre drawdown interest received to cover Fire Vehicle prudential borrowings.

	Balance at 1st April 2006 £000	Additions £000	Releases £000	Balance at 31st March 2007 £000
Client Services Remedial Works	275		(275)	
ICT Hub	428		(428)	0
Social Services provisions	52		(52)	0
Insurance Fund	3,642		(164)	3,478
Fire Vehicle Prudential Borrowings		32		32
	4,397	32	(918)	3,511

### 3.33 DEFERRED GRANTS

Deferred Grants and Contributions are received from Government to support the financing of capital expenditure. These receipts are written off to service areas to match the related depreciation that is charged over the useful life of the asset. Capital grants and contributions received for reclamation schemes undertaken on an agency basis on behalf of Government are offset against the debts, which accrue as the Council incurs expenditure on these projects, and therefore not credited to this account. In previous years the unamortized balance of deferred grants and contributions was treated as part of the Council's reserves. The 2006 SORP has changed accounting treatment to show this balance as a long term liability.

	Balance at 1st April 2006 £000	In Year £000	Write Offs £000	Balance at 31st March 2007 £000
Capital Grants Deferred	23,264	15,988	(4,024)	35,229
Capital Contributions Deferred	5,926	4,150	(252)	9,824
	29,190	20,138	(4,276)	45,052

### 3.34 RESERVES

The Council's General Reserve balance as at the 31<sup>st</sup> March 2007 was £7,011,455 (£6,636,531 at the end of 2005/06).

### 3.35 EARMARKED RESERVES

The balances below have been set aside to meet known future commitments or for specific purposes. A broad analysis of these earmarked balances by Directorate is as follows:

	31-Mar-06 £000	Utilised in year £000	Tfr to Reserves £000	31-Mar-07 £000
<b>Directorate</b>				
Corporate Director - Adult Services	70	-70	60	60
Corporate Director - Client Services	1,012	-979	483	516
Corporate Director - Economy, Culture & Environment	363	-317	220	266
Corporate Director - Public Protection	1,000	-1000	302	302
Corporate Director - Finance & Central Services	400	-150	128	378
Corporate Director - Strategy & Performance	916	-748	159	327
Sums set aside for Equal pay Claim	15,295		6,000	21,295
Local Area Committees	1,146	-1146	1,269	1,269
Revenue Support Grant	900	-900		
Other Services	700	-279	2,445	2,866
	<b>21,802</b>	<b>(5,589)</b>	<b>11,066</b>	<b>27,279</b>
<b>Insurance</b>	3,419	-500	457	3,376
<b>Delegated Funds:</b>				
Schools	15,467		3,502	18,969
Community Development Centres	414	-182		232
	<b>15,881</b>	<b>(182)</b>	<b>3,502</b>	<b>19,201</b>
<b>REVENUE RESERVES</b>	<b>41,102</b>	<b>(6,271)</b>	<b>15,025</b>	<b>49,856</b>
<b>CAPITAL FUNDS</b>				
General	1,572	(162)		1,410
<b>TOTAL RESERVES</b>	<b>42,674</b>	<b>(6,433)</b>	<b>15,025</b>	<b>51,266</b>

During 1995-96, the County Council extended the practice, of allowing over and under spending on approved budgets within Directorates to be carried forward to the following financial year, to most areas of the Council's services. Although these balances are, provisionally, earmarked to the Services concerned, they form part of the Council's revenue balances and can be used by the Council for any other purpose, should they so choose.

In March 2006, the Employment Tribunal reported its judgement on the equal value pay claim. The legal process is continuing, but the Council has decided to set aside the maximum amount that its existing resources would permit whilst maintaining General Reserves above the safety margin throughout 2006/07. The total reserve created is £21.3 million. At this stage the final liability cannot be calculated as there is a continuing legal process. However, if the final liability exceeds the Council's own internal resources, the Council will need to obtain approval for additional borrowings from Government (Department for Communities and Local Government). To the extent that this arises there will be a contingent liability (Section 3.37).

Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1 April 1990. The total budget available to governors is based on a local formula

approved by the Secretary of State for Education and Skills. 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 authority. There has been a continuing reduction in the number of Schools and Community Development Centres in deficit. The size of these deficits has also been reduced. Delegated Funds surpluses and deficits by Schools and Community Development Centres were as shown below. It should be emphasised that these surpluses and deficits relate solely to Delegated Funds. Standards Fund grant income is received in advance from Government. It is treated as a creditor (Section 3.25) and is not part of the Council's reserves.

	31-Mar-06 No:	31-Mar-06 £000	31-Mar-07 No:	31-Mar-07 £000
Corporate Funds ring-fenced to Schools		6,592		7,229
Schools in Surplus	261	13,976	267	15,841
Schools in Deficit	79	(5,101)	66	(4,101)
	340	8,875	333	11,740
Community Development Centres in Surplus	66	808	47	270
Community Development Centres in Deficit	30	(394)	23	(38)
	96	414	70	232
TOTAL	436	15,881	403	19,201

### 3.36 INVESTMENT IN AND COMMITMENTS TO COMPANIES & PARTNERSHIPS

One of the County Council's key strategic objectives is the creation of wealth for Cumbria. In some instances, the County Council has taken a direct investment in companies. The two most significant direct investments in financial terms have been explained in note 3.21 above. The results of Cumbria Waste Management Ltd and its subsidiary and associate have been consolidated within the group accounts. The County Council owned 5% of Kingmoor Park Properties Ltd until 13<sup>th</sup> April 2007. The company operates Kingmoor Business Park to the north of Carlisle.

	<b>Cumbria Waste Management Ltd</b>	<b>Kingmoor Park Properties Ltd</b>
Address for copies of the published accounts	The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST	The Company Secretary, Marketing Suite, Baron Way, Kingmoor Business Park, Carlisle, CA6 4SJ
Nature of Business	Waste disposal services	Developing and letting property
Shareholding	100%	5%
Net Assets – Current Year	£10.49 million	£42.16 million
Net Assets – Previous Year	£8.92 million	£30.05 million
Profit/(Loss) before Tax – Current Year	£3.16 million	£2.27 million
Profit/(Loss) before Tax – Previous Year	£2.30 million	£0.92 million
Profit/(Loss) after Tax – Current Year	£2.33 million	£2.17 million
Profit/(Loss) after Tax – Previous Year	£1.83 million	£0.80 million
Dividends Received	£0.5 million	£ Nil

County 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 County Council effectively becomes the conduit enabling available funding streams to be accessed in a more effective manner. As the County 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

The Council is working with partners to combine a number of these entities under a single organisation – Cumbria Vision so that proper priorities can be set for Cumbria. At present only the activities previously undertaken by Cumbria Rural Regeneration Company Ltd have been subsumed within Cumbria Vision. Cumbria Vision was incorporated during 2006/07 as a company limited by guarantee through partnership. The founding members

are the North West Development Agency, the District Councils and the County Council. Decisions are taken by majority Board vote and the Board includes a number of members from industry and commerce to ensure that the economic needs of Cumbria are properly represented.

The County Council acts as the Accountable Body for the following organisations. However, as these are partnerships with a number of other parties with decisions covered by majority voting, it is not appropriate for the County Council to consolidate any of these entities as, in all cases, it is a minority partner.

Entity	Purpose	Structure
West Cumbria New Vision Urban Regeneration Company Ltd (West Lakes Renaissance)	To promote regeneration within Furness and West Cumbria	Company limited by guarantee. It is a designated urban regeneration company with structural changes requiring the approval of the Department for Communities and Local Government. County Council funding is limited to £100,000 per annum. The company is private sector led with the Council holding a 7% stake.
West Cumbria Development Fund & West Cumbria Development Agency	West Cumbria is facing significant losses of employment opportunities following the decommissioning of the Sellafield nuclear facility. These companies aim to support new business initiatives and to promote economic development.	Both companies are limited by guarantee with participation from the British Nuclear Group and the Allerdale and Copeland Borough Councils.
Maryport Development Company	To re-develop areas of Maryport, particularly the harbour front, to encourage economic regeneration.	Company limited by guarantee with the County Council holding a 9.5% stake. The North West Development Agency and West Lakes Development Fund hold the majority of the shares.

Entity	Purpose	Structure
Lillyhall Partnership	Operates a newly developed business park near Workington.	The North West Development Agency owns the properties. The County Council provides administration and technical support and acts as the conduit to obtain funding for capital projects.

The County Council has the following direct investments in companies limited by guarantee. The results of these companies are included in the group accounts.

### **Cumbria Capital Fund**

The objective of this company is to promote and encourage commercial and industrial activity and enterprise within Cumbria, primarily within the Districts of Carlisle, Eden, South Lakeland and Barrow. The County Council has 100% control. The company made a loss of £27,000 in the year to 31<sup>st</sup> March 2007 and had net assets of £178,000. Copies of the accounts can be obtained from the Deputy Chief Executive / Corporate Director Finance and Central Services, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

### **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 with effect from 1<sup>st</sup> April 2006, the Council owns 100% of the shares.

### **Traveline Cumbria Ltd**

The County 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 profit of £6,991 in the year to 31<sup>st</sup> March 2007 and had net assets of £77,074. Copies of the accounts can be obtained from the Deputy Chief Executive / Corporate Director Finance and Central Services, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

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

## **3.37 CONTINGENT LIABILITIES**

The County Council created an Earmarked Reserve of £21.3 million pending final settlement of 'Equal Pay' claims (see Section 1 – Review of the Year). The legal process is still continuing and there are a number of areas of

contention and interpretation that would make any definitive calculation of the likely final liability misleading. Nevertheless, the Council is aware that the final decision could potentially exceed the sums set aside and may require Government approval to borrow additional funds.

The County 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. In the following area the Council has concerns and believes that an exposure to contingent liabilities could occur:

- In April 2005, Groundwork West Cumbria went into voluntary liquidation. At the time the company was in receipt of grants in respect of four projects approved under the 2000-2006 ERDF Programme. Government Office North West (GONW) has requested the Council to take over the submission of final claims on these projects. To the extent that expenditure cannot be properly evidenced, exposure will rest with the Council. The maximum exposure assuming that none of the expenditure to date can be evidenced is £355,837.

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 County 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 County 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.

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 are considerable and could not be met from the County Council's own reserves.

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. 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 County Council's maximum liability if MMI were unable to meet any further claims up to 31<sup>st</sup> March 1993 would be £4,921,872. However, this is extremely unlikely to arise as MMI remains confident that it will be able to meet these claims in full, although the possibility remains that, at some stage, a scheme of arrangement may be introduced by MMI. Existing outstanding claims as at 31<sup>st</sup> March 2007 totalled £240,910 and would be additional to the maximum exposure to future claims.

### 3.38 TRUST FUNDS

The Council acts as trustee for a large number of legacies by former inhabitants of the county. 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 Staff in compliance with the Charities Act 1993. The various trust funds can be broadly categorised as follows:

	Balance at 1st April 2006 £000	Receipts £000	Payments £000	Revaluations £000	Balance at 31st March 2007 £000
Holehird Trust	732	133	(121)	52	796
Archives Trusts	541	18	(17)	18	560
Education Trusts	430	21	(15)		436
Social Services Trusts	43	4	(1)		45
	1,746	176	(154)	70	1,837

### 3.39 THE EURO

The Council continues to consider the impact should the United Kingdom enter the European Monetary Union and adopt the Euro. The Council has not entered into any financial commitments.

### 3.40 RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting 1998 introduced the requirement that Local Authorities disclose any material transactions with related parties. Related parties are defined as bodies or individuals that have the potential to control or influence the Council. The intention behind disclosure of related party transactions is to allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently. The following summarises the Council's transactions with related parties in 2006/07: -

- Members & Officers - Councillors and 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 elected members or employees of the Council. During 2006/07 works and services to the value of £203,000 were commissioned from companies in which one member had an interest. A number of members do represent trusts and non profit making organisations which receive funding from the Council.
- Central Government – Central Government has effective control over the general operations of the Council as it provides the statutory framework within which the Council operates and provides the majority of the Council's funding in the form of grants.
- Other Public Bodies – A number of organisations, particularly District Councils, precept on the County Council.
- Pension Fund – During 2006/07 the Cumbria Local Government Pension Fund had an average weekly balance of £4,375,808 of surplus cash deposited with the County Council. The Council paid the fund a total interest of £229,699 on these deposits. The Council charged the fund £165,000 for expenses incurred in administering the fund.
- Companies – During 2006/07 the Council paid the following sums to companies in which it has an interest: -

<b>Organisation</b>	<b>Grants £000's</b>	<b>Commercial Transactions £000's</b>	<b>TOTAL £000's</b>
Invest in Cumbria Ltd	129	36	165
Cumbria Waste Management Ltd		8,805	8,805
Maryport Developments Ltd	40		40
Rural Regeneration Cumbria	69	7	76
Traveline Cumbria Ltd		66	66
West Cumbria Development Fund	60		60
West Cumbria Development Agency	620		620
West Lakes Renaissance	350	1,510	1,860
Cumbria Vision	415		415
<b>TOTAL</b>	<b>1,683</b>	<b>10,424</b>	<b>12,107</b>

### 3.41 RESERVES

	CAPITAL			PENSION			REVENUE			NET WORTH £'000
	Fixed Assets Restatement Account £'000	Long Term Investment Reserve £'000	Capital Financing Account £'000	Capital Receipts Unapplied £'000	Capital Receipts Deferred £'000	Earmarked Capital Reserves £'000	Pensions Reserve £'000	Earmarked reserves £'000	General Reserve £'000	
Balance brought forward at 1st April 2006	359,302	3,213	100,063	705	2,161	1,572	(438,545)	41,102	6,637	76,210
<b>Surplus / (Deficit) for the year</b>										
Surplus / (Deficit) for the year on the Income & Expenditure Account								(12,443)		(12,443)
Movements on the General Fund for the year								12,817		12,817
Add back movements on earmarked revenue reserves						(162)		9,655		9,493
Use of earmarked reserves for Revenue Support Grant								(900)		(900)
Transfer of Magistrates Scheme										
Deduct appropriations from pensions reserve							(16,578)			(16,578)
Actuarial Gains / (Losses) relating to pensions							55,381			55,381
<b>Total increase / (decrease) in revenue resources</b>						(162)	38,803	8,754	374	47,769
Capital receipts - amounts receivable during the financial year				1,722						1,722
Capital receipts applied to finance capital expenditure				(2,021)	(391)					(2,412)
De minimis capital receipts applied to finance capital expenditure										
Increase/ (decrease) in unapplied capital grants & contributions										
<b>Total increase / (decrease) in realised capital resources</b>				(298)	(391)					(689)
Gains / (Losses) on revaluation of fixed assets	29,257									29,257
Asset Reclassification										
Impairment losses on fixed assets										
<b>Total increase / (decrease) in unrealised value of fixed assets</b>	29,257									29,257
<b>Value of assets sold, disposed of or decommissioned</b>	(24,830)									(24,830)
Capital expenditure funded from Revenue				1,288						1,288
Provision for loan repayments				(10,585)						(10,585)
Capital receipts set aside				2,021						2,021
Transfer of Magistrates Debt										
Usage of Capital Fund										
Government Grants set aside				4,276						4,276
Grants applied to capital investments during the year										
Contributions applied to capital investments during the year										
<b>Total increase / (decrease) in amounts set aside to finance capital investment</b>				(3,000)						(3,000)
<b>Balance carried forward at 31st March 2007</b>	<b>363,729</b>	<b>3,213</b>	<b>97,063</b>	<b>407</b>	<b>1,770</b>	<b>1,410</b>	<b>(399,742)</b>	<b>49,856</b>	<b>7,011</b>	<b>124,716</b>
Balance brought forward at 1st April 2006	359,302	3,213	100,063	705	2,161	1,572	(438,545)	41,102	6,637	76,210
Balance carried forward at 31st March 2007	363,729	3,213	97,063	407	1,770	1,410	(399,742)	49,856	7,011	124,716
<b>Total recognised gains/ (losses)</b>	<b>4,427</b>		<b>(3,000)</b>	<b>(298)</b>	<b>(391)</b>	<b>(162)</b>	<b>38,803</b>	<b>8,754</b>	<b>374</b>	<b>48,506</b>

### 3.42 POST BALANCE SHEET EVENTS

With effect from 13<sup>th</sup> April 2007, the Council sold its 5% holding in Kingmoor Park Properties Ltd which generated a capital receipt of £2,000,000 and realised a profit of £1,600,000. This arose following the majority shareholder's decision to exercise their contractual option to buy out the County Council's shareholding.

### 3.43 RECONCILIATION TO NET REVENUE EXPENDITURE

	2005/06 £'000	2006/07 £'000
Net (Surplus) / Deficit per Income & Expenditure A/c	445	12,443
Adjust for appropriations to reserves	(17,145)	(6,123)
Adjust for Non Cash Revenue items		
Contributions to / (from) Provisions	8,250	886
Depreciation	(17,773)	(15,608)
Capital Grants Written Down	18,757	4,276
FRS 17 Pension adjustments	(2,322)	(16,578)
Other Adjustments:		
Movement in Long Term investments		
Movement in Revenue Debtors	(2,029)	(1,354)
Movement in Long Term Debtors	2,744	(539)
Movement in Revenue Creditors	85	(2,939)
Movement in Stock	(255)	32
	(9,244)	(25,504)

### 3.44 RECONCILIATION OF CASH FLOWS TO NET DEBT

	2006/07 £'000
Cash Flow from Revenue activities	(33,394)
Interest on investments & servicing finance	7,891
Capital activities	38,323
Net increase in debt in the year	12,819
Net Debt at beginning of the year	172,630
Net Debt at end of year	185,449
Represented by:	
Cash in Hand	(16,448)
Temporary Investments	(79,569)
Bank Overdraft	15,473
Short Term Borrowings	1,079
Long Term Borrowings	264,914
	185,449

### 3.45 RECONCILIATION OF CASH FLOWS TO FINANCING & LIQUID RESOURCES

	Beginning of the year £'000	Movement in the year £'000	End of the year £'000
Temporary Investments	102,989	(23,420)	79,569
Long Term Borrowing	(278,926)	14,012	(264,914)
Temporary Borrowing			
Short Term Borrowing	(2,188)	1,109	(1,079)
	(178,125)	(8,299)	(186,424)

### 3.46 RECONCILIATION OF GRANTS

<b>Revenue</b>	Accrued Income per CRA £'000	Movement on Debtors/ income in Advance £'000	Cash Received £'000
Education	324,321	2,687	327,008
Social Services	26,576	915	27,491
Magistrates Courts			
Economy & Environment	2,930	(568)	2,363
Highways	2,894	26	2,920
Fire Services	133	(24)	109
Other	6,451	2,031	8,482
	<b>363,305</b>	<b>5,067</b>	<b>368,372</b>
<b>Capital</b>			
	Applied to Finance Capital Expenditure £'000	Movement on Debtors/ income in Advance £'000	Cash Received £'000
Capital Grants			
Education	15,548		15,548
Social Services	82		82
Fire Services	28		28
Reclamation	7,367	(334)	7,033
	<b>23,025</b>	<b>(334)</b>	<b>22,691</b>
	Applied to Finance Capital Expenditure £'000	Movement on Debtors/ income in Advance £'000	Cash Received £'000
Capital Contributions			
Highways	4,150	(1,125)	3,025
Reclamation			
Social Services			
	<b>4,150</b>	<b>(1,125)</b>	<b>3,025</b>
<b>Total</b>			<b>394,088</b>
Represented by:			
Government Revenue Grants			368,372
Government Capital Grants			22,691
Capital Contributions			3,025
			<b>394,088</b>