

SECTION 4 - THE GROUP ACCOUNTS

Introduction

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the County 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 Income and Expenditure Account and its share of other gains and losses.

The results of the following organisations have been consolidated within the Group Accounts:

- Cumbria Waste Management Ltd, its 100% subsidiary Cumbria Waste Recycling Ltd and its 50% associate Lakeland Waste Management Ltd. These companies are involved in the management, recycling or disposal of waste within Cumbria. The net assets of this group totalled £11.57 million. The accounts can be obtained from Cumbria Waste Management Ltd at Unit 5a, Wavell Drive, Rosehill Estate, Carlisle CA1 2ST.
- Cumbria Capital Fund. This company is involved in the promotion or encouragement of industrial and commercial enterprise within Cumbria. The net assets of this company totalled £0.2 million. 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 – 100%. The company aims to attract inward investment into Cumbria. The County Council extended its ownership of this company from 18% to 100% on 1st April 2007. The net assets of this company totalled £0.3 million. The accounts can be obtained from the Deputy Chief Executive / Corporate Director Finance and Central Services, Lonsdale Building, The Courts, Carlisle CA3 8NA.
- Traveline Cumbria Ltd – a 49% associate. This company is a travel enquiry call centre which supports the Council's integrated transport policy. The net assets of this company totalled £0.1 million. The accounts can be obtained from the Deputy Chief Executive / Corporate Director Finance and Central Services, Lonsdale Building, The Courts, Carlisle CA3 8NA.

Statement Of Accounting Policies

The majority of the accounting policies adopted to produce the group accounts complement those used to prepare the County Council's own accounts. However, additional policies and departures have occurred in order to meet UKGAAP standards required 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. Fixed 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 fixed assets are amortised and charges to the Group 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 £12.6 million. The County Council has treated this exposure as a contingent liability (Section 3, note 3.28).

The financial results for Cumbria Waste Management Ltd are still subject to the outcome of a review of their provision for the restoration and aftercare of their landfill sites. The provision is reviewed every three years, however this year the Board have decided to enhance the modelling used to include the extension of the provision for aftercare costs from 30 to 60 years post closure of the sites and the inclusion of a discount factor. The provision currently stands at £12.6 million.

Other subsidiaries do not hold interests in land & buildings. Their fixed assets are held at cost with depreciation charged in order to expense these assets over their estimated useful lives.

3. Consolidation

Trades between the Council and its subsidiaries are eliminated on consolidation.

GROUP INCOME & EXPENDITURE ACCOUNT FOR THE YEAR TO 31st MARCH 2008

Service	2007/08				2006/07
	Gross Expenditure £'000	Fees & Charges £'000	Income from Specific Grants £'000	Net Expenditure £'000	Net Expenditure £'000
Continuing Services:					
Central Services to the Public	992	(823)		169	208
Cultural, Environmental and Planning Services	64,872	(22,294)	(2,823)	39,755	41,114
Education Services	444,472	(33,862)	(349,565)	61,045	41,735
Highways, Roads and Transport Services	40,186	(7,439)	(4,674)	28,073	22,783
Social Services	178,277	(45,971)	(22,674)	109,632	104,068
Adult Social Social					
Childrens' Social Services	38,237	(1,056)	(4,913)	32,268	33,688
Fire & Rescue Services	24,405	(607)		23,798	22,271
Court Services	988			988	927
Corporate and Democratic Core	3,995	(107)		3,888	3,363
Non Distributed Costs	7,726			7,726	2,131
Authority's share of operating result of associates and joint ventures					
Net Cost of Services	804,150	(112,159)	(384,649)	307,342	272,288
Other Items					
(Gains)/ Losses on disposal of fixed assets				38	1,145
Precepts and Contributions				761	711
(Surplus)/ Deficits on Trading Accounts					8
Interest payable				13,578	11,585
Authority's share of interest payable of associates and joint ventures				40	35
Interest and Investment Income				(8,947)	(6,282)
Authority's share of interest and investment income of associates and joint ventures				(578)	(445)
Pensions Interest Cost & Return on Assets				16,044	16,566
Taxation of group entities				1,102	774
Authority's share of taxation of associates and joint ventures					
Minority interest share of profits of subsidiaries					
Net Operating Expenditure				329,381	296,385
Revenue Support Grant				15,978	17,128
Council Tax Precepts				186,978	176,990
Non-Domestic Rates Pool				95,208	88,730
Surplus on Collection Fund				946	1,554
				299,110	284,402
(Surplus) / Deficit for the Year				30,271	11,983

RECONCILIATION OF THE AUTHORITY'S INCOME & EXPENDITURE RESULT TO THE GROUP INCOME & EXPENDITURE RESULT

	2007/08 £'000	2007/08 £'000	2006/07 £'000
Authority's Income & Expenditure (Surplus) / Deficit for the year		31,664	13,594
Less:			
Subsidiary and associate dividend income		1,590	545
		33,254	14,139
Add: (surplus) / deficit from other entities			
Subsidiaries	(2,983)		(2,153)
Associates	0	(2,983)	(3)
Group (Surplus) / Deficit for the year		30,271	11,983

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 £'000	2006/07 £'000
Net (Surplus) / Deficit for the year	30,271	11,983
(Surplus) / Deficit arising on revaluation of fixed assets	(46,548)	(3,157)
Actuarial (gains) / losses on pension fund assets and liabilities	39,878	(55,381)
Re-measurement of Loans and Receivables at 1 April 2007	588	
Any other(gains) / losses required to be included in the STRGL	8	
Capital Receipts		(2,611)
Sums set aside to supplement Revenue Support Grant amendments		320
Reserves of acquired subsidiary		(165)
Movement in Minority Interests	(206)	6
Total Recognised Gains/ (Losses) for the year	23,991	(49,005)
	£'000	£'000
Opening Net Worth	131,556	82,551
Closing Net Worth	107,565	131,556
	23,991	(49,005)

THE GROUP BALANCE SHEET as at 31 MARCH 2008

	Notes to the Accounts	31st March 2008		31st March 2007	
		£000	£000	£000	£000
Intangible Assets					
Goodwill	4.1		22		0
Fixed Assets (net):					
Operational Assets:					
Operational Land and Buildings	4.1		627,733		597,458
Infrastructure	4.1		190,154		166,557
Vehicles and Plant	4.1		19,258		18,289
Community Assets:	4.1		57		48
Non-operational Assets:					
Work in Progress	4.1				3,713
Investment Properties	4.1				
Surplus Properties	4.1		17,109		8,896
Total Fixed Assets			854,333		794,961
Long Term Investments			40		438
Long Term Debtors			3,330		4,080
Total Long Term Assets			857,703		799,479
Current Assets:					
Stocks, Stores, Work-in-Progress			562		490
Short Term Investments			95,197		87,729
Debtors	4.2		83,580		56,480
Cash in Hand			35,531		18,607
Total Assets			214,870		163,306
Total Assets			1,072,573		962,785
Current Liabilities:					
Creditors	4.3		(113,645)		(87,957)
Short Term Borrowings			(2,535)		(1,093)
Bank Overdraft			(14,078)		(15,473)
Total Current Liabilities			(130,258)		(104,523)
Total Assets less Current Liabilities			942,315		858,262
Long Term Borrowings			(289,649)		(265,230)
Government Deferred Grants			(68,199)		(45,052)
Provisions	4.4		(17,357)		(16,243)
Pensions Liability			(459,545)		(400,181)
Total Liabilities			(834,750)		(726,706)
Total Assets less Liabilities			107,565		131,556
Financed by:					
Revaluation Reserve			42,100		
Available for Sale Financial Instruments Reserve					
Capital Adjustment Account			444,843		459,536
Financial Instruments Adjustment Account			(588)		
Long Term Investment Reserve			2,813		3,213
Capital Receipts Deferred			1,358		1,770
Capital Receipts Unapplied			3,990		407
Earmarked Capital Reserves			1,402		1,410
Pensions Reserve			(459,042)		(399,742)
Earmarked Reserves			53,593		49,856
General Fund Balance			15,706		13,920
Group balances and reserves			106,175		130,370
Minority interest			1,391		1,186
Total balances and reserves			107,565		131,556

THE GROUP CASH FLOW STATEMENT

Notes	2007/08		2006/07	
	£000	£000	£000	£000
Net cash (Inflow) / Outflow from Operating Activities		(35,407)		(39,905)
<u>Returns from Joint Ventures and Associates</u>				
Cash Inflows:				
Dividends Received	0			
Net Cash Inflow from Returns from Joint Ventures and Associates				
<u>Returns on Investments and Servicing of Finance</u>				
Cash Outflows:				
Interest Paid	12,572		13,443	
Cash Inflows:				
Interest Received	(8,226)		(6,463)	
Net Cash Inflow / Outflow from Returns on Investments and Servicing of Finance		4,346		6,980
<u>Capital Activities</u>				
Cash Outflows:				
Purchase of Fixed Assets	52,242		60,840	
Other Capital Cash Payments	23,151		12,061	
	<u>75,393</u>		<u>72,901</u>	
Cash Inflows:				
Sale of Fixed Assets	(1,784)		(1,619)	
Proceeds from Long Term Investments matured in Year	(2,000)		(3,025)	
Other Capital Cash Receipts	(616)		(22,691)	
Capital Grants Received	(44,908)		(27,335)	
	<u>(49,308)</u>		<u>(27,335)</u>	
Net cash inflow / (outflow) from Capital Activities		26,085		45,566
<u>Acquisitions and Disposals</u>				
Cash Outflows:				
Investments in Associates or Joint Ventures			0	
Net Cash Inflow from Investments in Associates, Joint Ventures and Subsidiaries				
Net Cash (Inflow) / Outflow before Financing		(4,976)		12,641
<u>Management of Liquid Resources</u>				
Net Increase/ (Decrease) in Short Term Deposits	7,468		(22,518)	
Net Increase/ (Decrease) in Other Liquid Resources			0	
		7,468		(22,518)
<u>Financing</u>				
Cash Outflows:				
Repayment of Borrowing	10,000		139,071	
	<u>10,000</u>		<u>139,071</u>	
Cash Inflows:				
New Loans Raised	(30,000)		(123,905)	
New Short Term Loans Raised	(811)		0	
	<u>(30,811)</u>		<u>(123,905)</u>	
Net Cash Inflow from Financing		(20,811)		15,166
Net (Increase) / Decrease in cash		(18,319)		5,289

NOTES TO THE GROUP ACCOUNTS

4.1 Fixed Assets

	Operational Assets				Non-Operational Assets			Total
	Operational Land & Buildings £000	Infrastructure £000	Vehicles, Plant & Eqpt £000	Community Assets £000	Surplus Assets £000	W.I.P. £000	Investment Properties £000	TOTAL £000
At 1st April 2007	633,280	201,994	38,979	48	9,957	3,713		887,971
Prior Year Adjustment	(2,090)	9	(4)		428			(1,657)
Transfers	(5,268)				8,981	(3,713)		
Additions in the year	15,370	28,627	4,341		111			48,449
Disposals in the year	(745)		(249)		(4,681)			(5,675)
Impairments	(11,781)				(18)			(11,799)
Revaluations in the year	37,197			9	3,943			41,149
Gross Value at 31st March 2008	665,963	230,630	43,067	57	18,721			958,439
Accumulated Depreciation at 1st April 2007	34,080	35,445	20,695		1,513			91,733
Prior Year Adjustment	(349)	1	(8)		(24)			(380)
Less Charge on Transfers	(210)				210			
Charge for Year	11,390	5,030	3,369					19,789
Less Charge on Impairment	(6,680)				(4)			(6,684)
Less Charge on Disposals			(247)		(82)			(329)
Total Depreciation at 31st March 2008	38,231	40,476	23,809		1,613			104,128
Net Value at 1st April 2007	599,200	166,549	18,284	48	8,444	3,713		796,238
Net Value at 31st March 2008	627,732	190,154	19,258	57	17,108			854,311

4.2 Debtors

	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
	£000	£000	£000	£000	£000	£000
	Authority		Subsidiaries		Total	
Debtors:						
Central Government	13,877	22,085	5	4	13,882	22,089
Public Authorities	21,283	1,390			21,283	1,390
Other Local Authorities	2,301	2,147			2,301	2,147
Other debtors	40,734	28,453	3,480	2,475	44,214	30,928
Less: Provision for Bad Debts	(2,852)	(3,284)			(2,852)	(3,284)
	75,343	50,791	3,485	2,479	78,828	53,270
Prepayments:						
Central Government	5	27			5	27
Public Authorities		7				7
Other Local Authorities	3	7			3	7
Other	3,129	2,776	1,615	1,027	4,744	3,803
	3,137	2,817	1,615	1,027	4,752	3,844
	78,480	53,608	5,100	3,506	83,580	57,114

4.3 Creditors

	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Creditors:	Authority		Subsidiaries		Total	
Central Government	8,766	14,417	2,401	2,397	11,167	16,814
Public Authorities	9,027	2,500			9,027	2,500
Other Local Authorities	3,375	2,166			3,375	2,166
Suppliers of goods and services	51,606	42,095	1,594	(648)	53,200	41,447
	72,774	61,178	3,995	1,749	76,769	62,927
Income in advance:						
Central Government	26,989	12,864			26,989	12,864
Public Authorities	2,284	168			2,284	168
Other Local Authorities	1,889	405			1,889	405
Suppliers of goods and services	5,685	10,108	29	1,485	5,714	11,593
	36,847	23,545	29	1,485	36,876	25,030
	109,621	84,723	4,024	3,234	113,645	87,957

4.4 Provisions

	Balance at 1st April 2007 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2008 £000
Authority				
Insurance Fund	3,478	583		4,061
Fire & Rescue Service Vehicles Prudential Borrowing	33			33
Economy, Culture & Environment		5		5
Council Restructuring		624		624
Subsidiaries				
Restoration and aftercare of Landfill Sites	12,694		(94)	12,600
Deferred Taxation	38	25	(29)	34
	16,243	1,237	(123)	17,357

4.5 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 Transactio ns £000	TOTAL £000
Reserves							
Capital Pensions Revenue	495,896 (459,042)	2,813			22	(2,813)	495,918 (459,042)
Earmarked General	53,593						53,593
Minority	7,403	7,817 1,391	190	277	18		15,705 1,391
TOTAL FUNDS	97,850	12,021	190	277	40	(2,813)	107,565

4.6 Reconciliation of Surplus / (Deficit) to Net Cash Inflows / (Outflows) from Operating Activities

	2007/08	
	£000	£000
Surplus / (Deficit) for the Year		(30,271)
<u>Non Cash Transactions</u>		
Depreciation and Impairment	28,114	
Deferred grants amortised	(2,796)	
Grants funding Deferred Charges written off in year	(18,965)	
Pension Fund Adjustments	19,422	
Contributions to Provisions	1,114	
		26,889
<u>Adjustments for Items Reported Separately on Cashflow</u>		
Interest and Investment Income		(8,947)
Dividends from Companies		0
Interest Payable and Similar Charges		13,578
Deferred Charges		23,151
Gain/Loss on Disposal of Fixed Assets		38
Gain/Loss on Disposal of Long Term Investments		400
<u>Items on an Accruals Basis</u>		
(Increase) / Decrease in Stock		(72)
(Increase) / Decrease in Debtors		(21,811)
Increase / (Decrease) in Creditors		32,452
		35,407

Analysis of Net Debt

Reconciliation Changes in Cash to the Movement in Net Debt

	Cash £000	Temporary Investments & Short term deposits £000	Total £000	Loans due within one year £000	Loans due after more than one year £000	Deferred Liabilities £000	Net Debt £000
Balance at 1 April 2007	3,134	87,729	90,863	(1,093)	(265,230)	0	(175,460)
Cashflow/changes in year	18,319	7,468	25,787	3,021	(23,832)	0	4,976
Other Non Cash changes			0	(4,463)	(587)	0	(5,050)
Balance at 31 March 2008	21,453	95,197	116,650	(2,535)	(289,649)	0	(175,534)

Reconciliation of Changes in Cash Movement in Net Debt

	2008	
	£000	£000
Increase / (Decrease) in Cash in Year		18,319
Cash Inflow / Outflow from Management of Liquid Resources		7,468
Cash Inflows from:		
New Loans Raised		(30,811)
Cash Outflow From:		
Loans Repaid	10,000	10,000
Change in Net Debt Resulting from Cash Flows		4,976
Other Non Cash Changes		
Adjustments following re-measurement of Loans		(5,050)
Net Debt Brought Forward		(175,460)
Net Debt Carry Forward		(175,534)

Analysis of Changes in Cash and Liquid Resources During the Year

	2008 £000	2007 £000	Change in Year £000
Temporary Investment	95,197	87,729	7,468
Short Term Deposits	0	0	0
Cash	35,531	18,607	16,924
Bank Overdraft	(14,078)	(15,473)	1,395
	116,650	90,863	25,787