

Cumbria County Council

**Audited Statement of
Accounts for the year
2022/23**

Contents

Section 1	
Narrative Statement	3
Section 2	
The Council's Responsibilities	28
Section 3	
Independent Auditor's Report	30
Section 4	
Accounting Statements	36
Comprehensive Income & Expenditure Statement	36
Movement in Reserves Statement	37
Balance Sheet	39
Cash Flow Statement	40
Section 5	
Accounting Policies	41
Section 6	
Notes to the Accounting Statement	
Note 1 – Accounting Standards Issued, Not Adopted	69
Note 2 – Critical Judgements	70
Note 3 – Demise of the Organisation	73
Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	74
Note 5 – Expenditure & Funding Analysis	75
Note 5.1 - Note to the Expenditure & Funding Analysis	78
Note 5.2 – Segmental Analysis of Income & Expenditure	80
Note 5.3 – Expenditure & Income Analysed by Nature	81
Note 6 – Material Items of Income & Expenditure	81
Note 7 – Other Operating Expenditure	82
Note 8 – Financing and Investment Income and Expenditure	83
Note 9 – Taxation and Non-Specific Grant income	83
Note 10 – Adjustments Between Accounting Basis and Funding Basis under Regulations	84
Note 11 – Acquired and Discontinued Operations	86
Note 12 – Pooled Budgets	86
Note 13 – Members' Allowances	87
Note 14 – Officers' Remuneration	88
Note 15 – Termination Benefits	91
Note 16 – External Audit Costs	92
Note 17 – Dedicated Schools Grant	93
Note 18 – Grant Income	85
Note 19 – Capital Expenditure and Capital Financing	99
Note 20 – Leases	100
Note 21 – Service Concession Arrangements	102
Note 22 – Property, Plant and Equipment	107
Note 22.1 – Impairment Losses	112

Note 22.2 – Heritage Assets	112
Note 22.3 – Investment Property	112
Note 23 – Fair Value Disclosures for Surplus Assets	113
Note 24 – Short Term Debtors	114
Note 25 – Financial Instruments	115
Note 26 – Financial Instruments – Fair Value	117
Note 27 – Nature and Extent of Risks Arising from Financial Instruments	119
Note 28 – Cash and Cash Equivalents	124
Note 29 – Short Term Creditors	125
Note 30 – Provisions	125
Note 31 – Usable Reserves	127
Note 32 – Transfers to/from Reserves	129
Note 33 – Unusable Reserves	133
Note 34 – Pension Schemes Accounted for as Defined Contribution Schemes	138
Note 35 – Defined Benefit Pension Scheme	139
Note 36 – Cash Flows from Operating Activities	156
Note 37 – Cash Flows from Investing Activities	157
Note 38 – Cash Flow from Financing Activities	157
Note 39 – Related Parties	158
Note 40 – Contingent Liabilities	162
Note 41 – Trust Funds	165
Note 42 – Accountable Body Funds	166
Note 43 – Events After the Reporting Period	168
Section 7	
Introduction to the Group Accounts	170
Group Comprehensive Income & Expenditure Statement	173
Group Movement in Reserves Statement	174
Group Balance Sheet	176
Group Cash Flow Statement	177
Notes to the Group Accounting Statements	
G1 – Property, Plant and Equipment	178
G2 – Cash and Cash Equivalents	180
G3 – Short Term Debtors	180
G4 – Short Term Creditors	181
G5 – Provisions	182
G6 – Group Summary of Reserves	183
Section 8	
The Firefighters’ Pension Scheme Financial Statements 2022/23	184
Section 9	
Glossary	187
Section 10	
Cumbria Local Government Pension Scheme	194
Independent Auditor’s Report (to be added at the conclusion of the audit)	272

Narrative Statement

1. Introduction and Overview

- 1.1 The Statement of Accounts for 2022/23 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2022/23 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts comply with International Financial Reporting Standards (IFRS) as interpreted by the Code.
- 1.2 The purpose of the Narrative Statement is to provide information on the Council, its main objectives and strategies and the principal risks it faced during the year. It sets out information to help readers understand the Council's financial position and performance during 2022/23.
- 1.3 This 2022/23 statement of accounts will be the last accounts prepared for Cumbria County Council. On the 21st July 2021 the Secretary of State announced the outcome of the consultation for Local Government Reorganisation in Cumbria. The seven Councils covering Cumbria were replaced on 1st April 2023 by two new unitary councils – Westmorland & Furness Council covering the previous areas of Barrow, Eden and South Lakeland and Cumberland Council covering the previous areas of Allerdale, Carlisle and Copeland. In addition Cumbria Fire and Rescue Service transferred to be governed by the Police and Crime Commissioner.
- 1.4 For accounting purposes this Statement of Accounts is presented on the basis that the County Council will continue as a going concern as the services will continue to be provided by the public sector in Cumbria. A robust safe and legal transition alongside detailed financial planning was delivered to ensure that uninterrupted service delivery transferred to the new organisations on 1st April 2023.
- 1.5 Cumbria County Council continued to provide services to residents, businesses and communities across the whole county throughout 2022/23. The Council had an operating model that determined an annual revenue budget for each Directorate within which they must operate and deliver on the Council's priorities, as set out in the Council Plan and the annual Council Plan Delivery Plan. These priorities were presented as performance indicators for each Directorate and monitored alongside the capital and revenue budget monitoring. Strategic and operational risks were identified and managed as appropriate. Overall the performance was achieved by ensuring that all resources (financial, staff and assets) were directed to support the achievement of the Council Plan priorities.
- 1.6 During 2022/23 the Council's financial and non-financial performance was regularly reported to Elected Members. This included updates on staff wellbeing, development and training, governance updates and improvements, internal and external audit commentary, the delivery of the Council Plan and the usual Performance Indicators and financial monitoring.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- 1.7 It continued to be a very challenging time for the public sector as a whole with ongoing constrained funding, unprecedented national inflationary pressures and global economic uncertainty. There was increasing pressure in respect of demand for Council services and in particular for care for the elderly and care for vulnerable adults and children which is in part as a consequence of the COVID-19 pandemic but also as a result of changing national policies and growth in demand resulting from those policy changes.
- 1.8 The Council continued to work in partnership across many different elements of service delivery from strategic Health and Social Care Integration through to Local Committees working with youth groups and parish councils to support universal and targeted services. Strengthened partnership working was a positive legacy of COVID and was needed to support and manage the complex interdependent services that the people of Cumbria are supported with.
- 1.9 The Local Authority landscape was more complex than ever and with the additional complexity for Cumbria of Local Government Reorganisation maintaining a clear focus on delivering the Council Plan outcomes within the available financial envelope in 2022/23 remained a priority.
- 1.10 Looking forward to 2023/24 the successor authorities have to continue to prioritise their resources, deliver new ways of working, support communities and individuals to thrive and promote their independence and work closely with key partners, particularly health, to deliver essential services. Exploring opportunities to increase capacity and strengthen resilience of social care services will also be a critical element of future planning. The financial and non-financial benefits of moving to a single tier of local Government in Cumbria will be delivered by the new Councils.
- 1.11 As the full impact of the global economic uncertainty and unprecedented inflationary pressures emerged the County Council needed to continue to review its priorities and pressures and take effective decisions to ensure a financially robust and sustainable position was maintained for 2022/23 and therefore support the successor authorities to deliver financially sustainable services in the future.

Vision for Cumbria

- 1.12 The County of Cumbria was established in 1974 and is one of the most sparsely populated counties in the United Kingdom. It is the most north westerly County in England and is the second largest county in England. It covers 6,767 km² and its population is estimated to be 498,000.
- 1.13 Cumbria has a super-ageing population; by 2030 the population aged over 65 is expected to increase by 23,000 to 145,000 and this will represent 30% of the total population (compared to 24% nationally). In contrast the working age population is expected to decline by 24,000, the third biggest fall in the country, unless migration trends change.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- 1.14 In respect of the Cumbrian economy, there are over 28,000 businesses and 247,000 people in employment, generating Gross Value Added of £11.6bn with opportunities to capitalise on our productivity, innovation and enterprise potential, to develop a better balanced economy and to increase our talent pool.
- 1.15 Within Cumbria in 2022/23 there was the County Council, six District Councils, two National Parks and four NHS organisations. In addition there are six Members of Parliament and over 250 Parish and Town Councils and Parish meetings.
- 1.16 Cumbria County Council was responsible for many key local services:

People

- *Children and Families* - including the safeguarding of children, looked after children, services to vulnerable children and young people and their families and adoption and fostering services;
- *Health and Adult Social Care* - including services for older people, people with physical or learning disabilities, public health, mental health services, child health related matters and drug and alcohol matters;
- *Education and Skills* - including early years and pre-school, mainstream schools and education, special educational needs provision, school improvement, youth services and career advice, and Traded Services;

Economy and Infrastructure

- *Highways and Transportation* - including highways maintenance, street lighting, traffic regulation and road safety, parking, public rights of way and schools and community transport;
- *Economy & Environment* - including enterprise, sustainable and inclusive growth, strategic spatial planning, minerals and waste planning, development and investment, carbon strategy, waste disposal and recycling and flood management;

Fire and Rescue Services

- including resilience;

Corporate, Customer and Community Services

- including libraries, archives, registration services, legal and democratic services, digital and IT services, human resource management, coroner and customer services;

Finance

- including accountancy, treasury management, pension administration, insurance, internal audit, risk management and performance.

CUMBRIA COUNTY COUNCIL SECTION 1 – NARRATIVE STATEMENT

1.17 These services were either provided directly by the Council or were commissioned from and delivered by other organisations. Most of these services were statutory, meaning the Council must provide them, as it had a duty to do so.

1.18 The vision for the Council was:

A Council that works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources.

1.19 The Council will work to ensure that the Corporate Priority outcomes are achieved:

- People in Cumbria are Healthy and Safe
- Places in Cumbria are Well-Connected and Thriving
- The Economy in Cumbria is Growing and Benefitting Everyone

1.20 To ensure that the Council is financially sustainable for the future and able to deliver its priority outcomes it will use new approaches to maximise its contribution to improving the everyday experiences of people in Cumbria. This will mean:

- Putting Customers at the heart of everything we do
- Supporting communities to thrive
- Focusing on the most vulnerable
- Promoting independence and Managing Demand

This will be delivered through embedding our new ways of working

- Working Together
- Enterprise and Efficiency
- Digital Transformation
- Prevention and Early Intervention

1.21 Full Council agreed in February 2022 to extend the 2018 - 2022 Council Plan to include the period up to 31st March 2023. The Council Plan made a commitment to introduce new ways of working which underpin the principle of putting customers at the heart of everything we do. These core principles underpinned the Council's actions and decision making processes.



- 1.22 The key to achieving the Council’s vision and outcomes for everybody in Cumbria, meeting the budget challenges ahead and being financially sustainable is continuing to transform the Council. This continued during 2022/23 and informed the future shape and service development of the two new Unitary Councils and Fire and Rescue service from 1st April 2023.
- 1.23 Improving value for money is equally at the heart of everything the Council did. The Council worked hard to ensure that value for money was achieved in all its services; challenged services to make sure costs compare well with others by identifying and challenging areas of high spend and regularly benchmarking costs with other local authorities.
- 1.24 Equality was also embedded throughout all of the Council’s services. It was not an extra piece of work, but part of everything the Council did. Whenever a new service was created, reviewed or removed, an Equality Impact Assessment (EIA) was undertaken to ensure individuals were not discriminated against. An EIA helped to identify any potential discrimination or unfair treatment and put measures in place to mitigate these.

2 Leadership and workforce

- 2.1 The Council's Constitution set out the rules and procedures by which the Council operated and was available on the Council's website. The Council had 84 members (or 'councillors'), elected by the public to represent a particular local area, or 'Division'. Collectively they were responsible for the democratic structure of the council, overseeing key policies and services and setting the Council's annual budget and capital programme. More information could be found on the website.
- 2.2 The Leader of the Council was Cllr Stewart Young. Cllr Young appointed a Cabinet, responsible for taking key decisions to manage the Council's business. Overview and scrutiny committees held the Cabinet to account for the decisions made on behalf of the Council.
- 2.3 Employees ('officers') supported Cabinet and Council in their work and manage the Council's services and operations. The Chief Executive was the Head of Paid Service and led the most senior group of officers who advised councillors on policy, implement councillors' decisions and were also responsible for Council performance.
- 2.4 The Council had a "cluster" operating model linked to the Council's vision and priorities contained within the Council Plan and Medium Term Financial Plan. It focussed on the following areas:
- People** – and the response to service users with assessed needs. This will include the existing services of the children and young people's directorate, adult social care, public health, Cumbria Care, health and care integration and partnerships.
 - Strategic core** – and the response to meeting the council's internal governance, democratic services, strategic commissioning, communications, planning responsibilities and enterprise.
 - Customer** – and the response to the universal customer's needs this will include customer transformation, customer service centre and community services
 - Locality** – and the response to place based issues of infrastructure and growth and transportation.
- 2.5 As at 31st March 2023 the Council's staff complement stood at 5,142 FTE (full-time equivalent) posts, representing 6,448 employees. This excludes school based staff.

CUMBRIA COUNTY COUNCIL
SECTION 1 – NARRATIVE STATEMENT

3 Performance

- 3.1 The Council's performance against the Council Plan Delivery Plan (CPDP) was reported on a quarterly basis to Cabinet, reports could be found on the Council's website.
- 3.2 The quarterly performance reports showed the latest assessment of the Council's performance indicators using a Red, Amber or Green (RAG) rating, signifying whether or not progress was on track to deliver the stated outcomes. In deciding RAG ratings consideration was given to data on current performance and an assessment of progress.
- 3.3 The 2022/23 Corporate performance report was reported to Cabinet on the 16th March and reflects the achievements and Council Plan delivery.
- 3.4 Overall performance was maintained despite the pressures of Local Government Reorganisation, the wider impact of the cost of living crisis and economic uncertainty with 57% of measures (36 out of 63) having delivered or on track to deliver and 25 % in progress for meeting the target. Only 11 measure (17%) were expected to miss a key milestone or not deliver as intended.
- 3.5 The Council Plan Delivery Plan had 67 indicators and they were categorised across the existing four Council Plan outcomes. There was also a set of new 'context indicators' - indicators that the Council contributed to but do not fully own, providing context for the performance landscape of the Council. The themed areas and their alignment to Council Plan outcomes are shown in Table 1.

Table 1 - CPDP 2022/23 Outcomes and Themed Areas

Council Plan Outcome	Themed area	No. of Indicators
New ways of working and achieving financial sustainability	Customer focus	5
	Service delivery	7
	Workforce & Infrastructure	4
People in Cumbria are Healthy and Safe	Adults and Older People	8
	Children and Young People	5
	Fire and Community Safety	4
	Population health	3
Places in Cumbria are Well Connected and Thriving	Educational Attainment/Outcome	8
	Thriving places	5
	Transport	6
The Economy in Cumbria is growing and benefits everyone	Economy	8
Context	Context indicators	4

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

3.6 In respect of New Ways of Working and Achieving Financial Sustainability some key deliverables included:

- the Single Point of Access digital service project nearing completion which demonstrated a key element of continuing service improvement, culture change and new ways of working. The initial phase of the library workforce and infrastructure development is completed and improvements to Carlisle and Kendal libraries on track.
- Cumbria Fire and Rescue service worked to ensure that measures are in place to deliver against the Grenfell Tower inquiry outcomes and legislative changes
- Continued work to increase the positive impacts of its commissioning activity on the local economy with 32% of spend with Cumbrian SME's.

3.7 In respect of People in Cumbria are healthy and safe:

- Strength based practice continued to be embedded in social care and underpinned actions to respond to increasing demand. The service has broadly maintained the same level of 80% of adults having no or reduced need for social care following reablement. It is disappointing that the number of adults having unmet needs has still to reduce as hoped but sound health and care system plans have been developed to cope with winter pressures and industrial action. The completion of a market position statement and cost of care has been a significant piece of work over the last year.
- The Children and Families Partnership are establishing baselines and indicators to develop a better understanding of young people's emotional health and well being to inform future decision making on support.
- The successful implementation of the Children Looked After and Care Leavers Strategy is on track and continues to be overseen by the Corporate Parenting Board.
- There continues to be increasing demand for children's services at all levels. The number of children looked after continues to be a challenge although is set in a context of a wider challenge across the North west. New approaches to supporting those with complex needs has successfully reduced some pressures, but they are offset by workforce shortages of social care workers combined with inflationary pressures on costs for agency staff.
- There remains continued pressure on the Schools High Needs Block which faces a significant deficit. This is a long term issue and can be attributed to a number of external pressures, such as changes to EHCP reform and the increased need for out of county placements. Two new Alternative Provision Centres are being built in Carlisle and Barrow which may relieve some of this pressure.

3.8 In respect of Places in Cumbria are Well Connected and thriving

- It is important to note that 91.3% of schools are now rated as outstanding or good, 46.2% of pupils attained GCSE grades of 9-5 in English and Maths. The percentage of young people (16-17 years) participating in education and training and employment continues to remain high at 91.7% and above the English average of 88.5%.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- The Council has secured the highest band of funding from the Department for Transport achievable. A new customer front end and reporting system for Highways has also been implemented as part of ongoing work to improve customer performance.
- 3.9 In respect of the economy is growing and benefits everyone:
- The Council has worked with partners to secure investment through a number of initiatives including Town Deals. Deals are now approved for Barrow, Carlisle, Cleator Moor, Millom and Workington. Projects have also been developed and delivered aimed at improving the local environment and sustainability, including Coastal Community Forest and Planting for Pollinators.
 - In addition the completion of a carbon baseline audit and strategy helped the Council to consider its approach to net carbon zero over the year.
- 3.10 In respect of the wider context measures the Q3 position suggests that there is not a significant variance from the national trends and no indicators are red. Claimant counts are still slightly higher than pre pandemic months at 2.4% but still below the national rate of 3.6%. Employment rates are slightly higher in Cumbria (78.6%) compared to national (75.4%) whilst Cumbria's working age population qualified to at least level 2 is similar to national figures (76.2% compared to 78.1%).
- 3.11 Overall the report demonstrates that the Council can celebrate a significant number of achievements in year and can also demonstrate where there are areas for improvement still and areas with short term issues such as FOI requests within the 20 day statutory timescales. Given LGR and teams being stretched in respect of capacity this is now expected to be a longer term issue.
- 3.12 Longer term challenges are consistent with many other local authorities and match the significant risks that the Council is managing. These includes reducing the number of people who, having been assessed, are not receiving services to meet their care needs and reducing the number of Children Looked After. Childhood obesity also remains and longer term issue.
- 3.13 The performance position will help establish the baseline for the new Councils and Cumbria Fire and Rescue service and although will be adapted to meet the new Council Plans a number of the indicators are statutory and will continue to be monitored.

4 Risk Management

4.1 The Council had a Performance and Risk Management Framework and on a quarterly basis all Strategic risks are considered by Risk Owners, Risk Owners Group, Directorate Management Teams, the Council's Corporate Management Team, informal Cabinet briefing and reported to the Audit and Assurance Committee.

4.2 At the end of Quarter 3 2022/23, there were 14 risks on the corporate risk register, 8 high risks and 6 medium risks. A summary of the high rated risks are listed in the table below.

Table 2 – Q3 Council High Rated Risks

1. Capacity across the Care Sector and impact on meeting care needs
2. Unsustainable ASC demand outstripping capacity
3. Workforce Capacity, Skills, Relationships, Safety & Wellbeing
4. Become a Net Zero and Climate Resilience Council
5. Increasing Demand on Children's Services
6. LGR Organisational Risk
7. Information Security Arrangements
8. Safeguarding of Adults

4.3 During Quarter 3 and into Quarter 4 2022/23, the wider risk landscape included several ongoing and concurrent areas of significant change and increased uncertainty.

- **Local Government Reorganisation (LGR)** preparations continued across the County Council providing competing priorities in the delivery of Council services up until 31st March and planning for the transition to the two new Unitary Authorities.

- **The 'Cost of Living Crisis'** continued to drive national and local government agendas to help mitigate the impact of this crisis within communities and for Council staff.

- **Inflationary pressures** – the Council continued to face significant financial pressures relating to high levels of inflation.

- **COVID Response** – The Council continued to experience the impact of COVID-19, both directly and indirectly, over the winter period causing a reduction in staffing capacity most significantly to front line health and social care workers.

- **An increased number of industrial disputes** across public and private sector organisations continued to impact the Council, especially front-line Health & Social Care employees.

4.4 With most of the current corporate risks having been in place for some time it is anticipated that they will remain directly relevant to the two new authorities from 1st April 2023. Some risks have been influenced by more recent global and

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

national challenges such as COVID-19, inflationary pressures, the cost-of-living crisis and most recently Industrial action, we anticipate that these risks could remain with us for some time to come. Other risks such as the challenge of achieving Net Zero emissions are more long term in nature and may grow in impact over time. It is anticipated that all current risks will remain relevant to some degree however, the causes and consequences of each risk may differ between each Council area and these differences will require to be evaluated and reflected in future risk descriptions, risk rating or risk controls going forward.

- 4.5 Even the impact of the LGR programme on the provision of Council services remained relevant, for although the implementation phase of the LGR programme came to an end on 31st March 2023 the post transition phase of stabilization and transformation brings further challenge and uncertainty to the delivery of Services within each of the new Councils.
- 4.6 The Quarter 3 report, containing more detailed information on the aforementioned items, can be found on the 9th March 2023 Audit and Assurance Committee Agenda on the Council's website.

Financial Operating Model

- 4.7 The Council set a revenue budget, medium-term financial plan (MTFP) and capital programme every February preceding the start of the financial year.
- 4.8 These were underpinned by a Capital Strategy, Treasury Management Strategy, Pay Policy Statement and a risk assessment of the level of reserves and balances required. This risk assessment is reflected ultimately in the Section 151's Statement of Robustness, adequacy of reserves and budget risk presented to Council as part of the overall budget report. This is required to comply with the s25 Local Government Act 2003.
- 4.9 Construction of the budget and budget saving and pressure proposals were subject to challenge by the Council's Leadership Team and the Director of Finance. Councillors had the opportunity to question and challenge the proposals through engagement sessions and member presentations. Members of Scrutiny Management Board scrutinised budget proposals at a meeting in November before Cabinet proposed the budget, MTFP and capital programme in January. Throughout the year, regular financial monitoring reports were presented to Cabinet.
- 4.10 The Medium Term Financial Plan (MTFP) set the framework for how the Council planned to use its financial resources to fund the activity to deliver on the Council's outcomes. The MTFP was a 'live' plan and was updated every year when the Council considered the annual budget for the following year. The MTFP covered a five year period 2022–2027. The MTFP was prepared by understanding the Council's income and expenditure profiles and the investment required to deliver the Council's priorities. The Council was required to set a 'balanced budget' annually with financial resources identified to cover all expenditure and therefore savings may need to be identified to balance the budget.

- 4.11 The MTFP was one of the key Council strategic planning documents. It was fully integrated with the Council Plan (which sets out the long term vision, priorities for the four years 2018-2023 and the steps to achieve them) and Strategic Workforce Plan (which provides an organisation wide framework to develop the workforce to achieve the Council's priorities).



5 Revenue Spending Plans for 2022/23

- 5.1 The Council's financial plans were prepared against a backdrop of continued uncertainty. The continued response to the COVID-19 pandemic saw increased pressure on key local services particularly in Health and Social Care. The recovery from it may also take many years and so it is expected that it will continue to impact on Council services well beyond the current financial year. In addition the wider economic uncertainty, the impact of the EU exit deal, Local Government Reorganisation and significant Government policy changes all present challenges but also provide opportunities to continue to review and invest in improvements for the future.

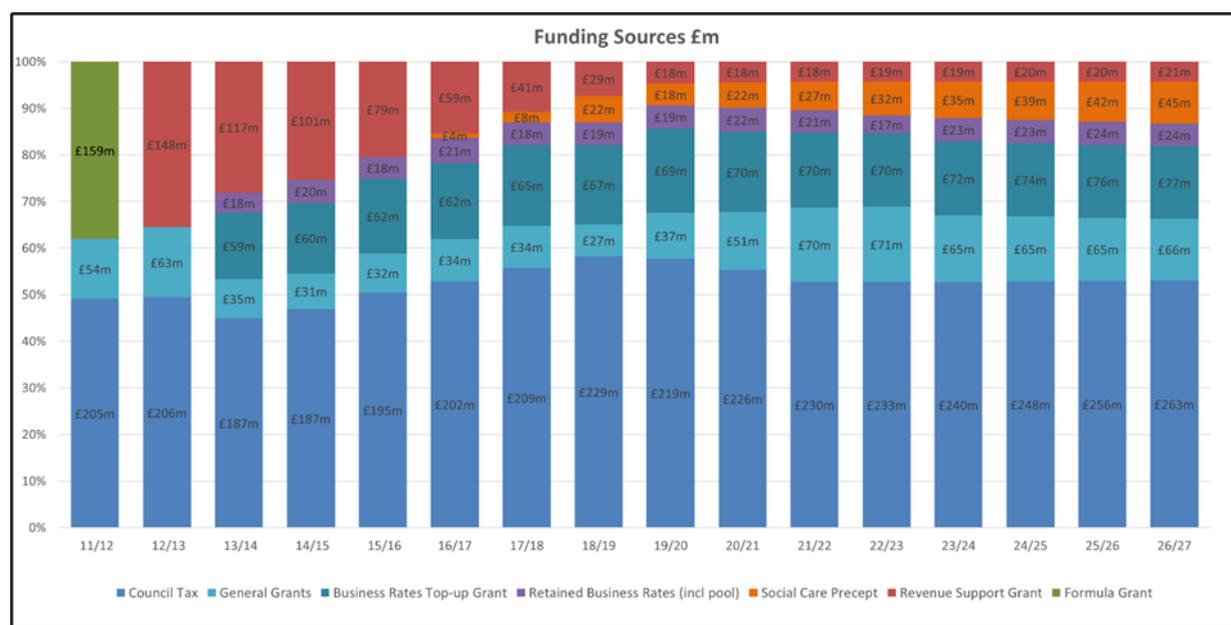
The National Picture – Local Government

- 5.2 The Spending Review 21 announced by the Chancellor in November 2021 set out an overall three-year spending review position and detailed central government department budgets for the next 3 years 2022/23 to 2024/25. However, for Local Government the draft Local Government Finance settlement announced in December 2021 provided only a one-year settlement with indicative spending limits for Local Government as a whole for the following two years and no detail on how those funds will be allocated.
- 5.3 The current MTFP includes the financial years 2022/23-2026/27 which is outside the period of the Spending Review. Because of the one year settlement uncertainty beyond 2022/23 in relation to local government funding increases. The continued delays surrounding the reforms of the Fair Funding Review and Business Rates Retention are well documented and although elements of the Fair Funding review are being proposed to be consulted on for 2023/24 the clarity and content of those reviews are not yet clear and so assumptions for the future are based on the existing formula approach.

CUMBRIA COUNTY COUNCIL SECTION 1 – NARRATIVE STATEMENT

- 5.4 Without exception, all councils are facing difficult financial times, after eleven years of funding reductions from Government, councils will have to deal with both the impact of COVID-19 and recovery and the increase in demand for services that was present before the pandemic period, especially from those who need us most. This includes greater pressure for social care services from the growing elderly population and younger adults with complex needs and increasing costs to look after the number of children now in our care and children with Education, health and care plans.
- 5.5 The Council therefore has made a number of assumptions for the future financial years not covered by the spending review. The fundamental assumption going forward being that whatever the new funding arrangements are for local government, the Council receives no less than currently in relation to grants received from central government departments (including Better Care Fund and Improved Better Care Fund) and from business rates.
- 5.6 In respect of additional and new responsibilities resulting from Government policy changes the MTFP assumes that these will be fully funded as per the New Burdens principle in place for Local Government to ensure that Council Tax payers do not face excessive increases as a result of those changes.

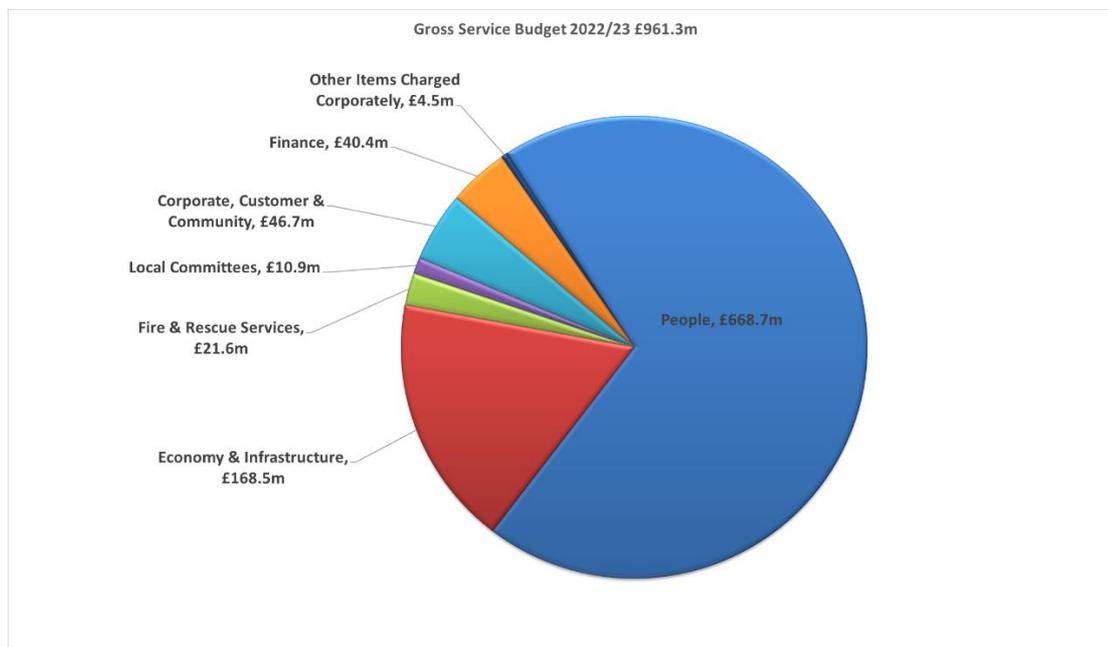
All Funding Sources to support Net Budget 2011/12 - 2026/27



- 5.7 The Council's budget for the provision of services in 2022/23 and Medium Term Financial Plan (MTFP) to 2026/27 was agreed by Council in February 2022.

CUMBRIA COUNTY COUNCIL SECTION 1 – NARRATIVE STATEMENT

5.8 In total, the Council planned to spend £961.283m on delivering services in 2022/23:



5.9 The Council intended to finance £518.822m of spending from specific government grants, contributions from other bodies, charging and interest income and a contribution from reserves and balances. Therefore, the net budget totalled £442.461m.

5.10 The net budget was financed from: Business Rates (£86.539m); General Grants (£71.321m); Revenue Support Grant (£18.709m); Surplus on the Collection Fund (£0.075m) and Council Tax (£265.817m). Council tax for a Band D property was set at £1,528.00. This was a 2.00% increase from 2021/22.

6 Revenue Financial outturn position

6.1 The Council's 2022/23 Revenue and Capital Budget Monitoring Report to 31st December 2022 was considered at Cabinet on 16th March 2023, the report can be found on the Council's website. The provisional outturn report was presented to Westmorland and Furness Council on 11th July 2023.

6.2 As set out in the table overleaf the 2022/23 provisional outturn shows an underspend of (£4.433m). In summary the underspend position is a combination of net Directorate underspends of £3.150m and increased income of £1.283m in Other Corporate budgets. Overall this is a combination of additional one off Business Rate grants (£0.750m), increased Treasury Management savings due to higher interest rates (£2.000m), reduction in cost/inflation pressures for Waste (£1.000m), additional income from fees and charges in highways (£0.500m) and other offsetting under and overspend changes.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- 6.3 The County Council outturn position includes a number of pressures and underspends across the various directorates which resulted in a net underspend position. During 2022/23 Council staff were heavily involved in the delivery of the Local Government Reorganisation programme for Cumbria and this in a number of areas resulted in underspend positions as recruitment was in some areas limited and staff were recharged to the LGR reserve where appropriate. Following reporting of overspend at Q1, Q2 and Q3 this outturn position includes additional in-year mitigations to manage spend identified by CMT and delivered in year.
- 6.4 The most significant pressure was a £10.218m pressure in the service area of Children Looked After placement costs. This is due to five exceptional bespoke packages of care for individuals with very complex needs, an increase in the number of high costs placements and a high number of residential placements. This is an area of budgetary pressure for most Councils and work continues in respect of managing and understanding this significant pressure.
- 6.5 Across the People directorate as a whole there was a net pressure of £7.982m. This is a combination of additional pressures in the areas of inclusive learning and staffing pressures in Childrens as a result of heavy reliance on agency staff to cover vacant social worker posts and an underspend position with older adults due to primarily unmet need within the health and social care system. If that unmet need is delivered this would result in a potential overspend position. A higher than expected increase in personal contributions to care was achieved in year.
- 6.6 Within the Economy and Environment Directorate significant areas of overspend include Home to school Transport of £1.031m and SEND transport of £3.146m. The SEND transport overspend has continued due to ongoing increased demand and new routes following the commencement of the new academic year in September. Around 80% of the increase in demand was due to new requirements whereby pupils have reverted to single journey transport and/or a change in school. These were offset by underspends on the English National Concessionary Fares Scheme (ENCTS) and increased income from commercial waste contracts and streetworks contracts.

CUMBRIA COUNTY COUNCIL
SECTION 1 – NARRATIVE STATEMENT

Table 3 – Summary of Provisional Outturn Position 2022/23 as at 31st March 2023

	Original Budget £m	Final Budget £m	Actual £m	Variance Overspend / (Underspend) £m
People	208.279	248.236	256.218	7.982
Economy & Infrastructure	142.044	153.420	151.751	(1.669)
Fire and Rescue Service	21.023	22.928	22.954	0.026
Local Committees	10.866	12.244	12.149	(0.095)
Corporate, Customer & Community Services	41.712	44.724	42.437	(2.287)
Finance	38.565	37.849	30.742	(7.107)
Local Government Reorganisation	0.000	14.408	14.408	0.000
Other Corporate Items	(6.993)	(33.868)	(35.151)	(1.283)
	455.496	499.941	495.508	(4.433)
Transfers to / (from) Earmarked Reserves	(13.035)	(53.962)	(53.962)	0.000
Transfer to / (from) General Reserves	0.000	0.000	0.000	0.000
	442.461	445.979	441.546	(4.433)

	Original Budget £m	Final Budget £m	Actual £m	Variance Overspend / (Underspend) £m
Financed by:				
Government Grants	159.844	164.725	164.725	0.000
Retained Business Rates	16.725	15.365	15.365	0.000
Council Tax	265.892	265.892	265.892	0.000
Total Financing	442.461	445.982	445.982	0.000

- 6.7 The budget position has been closely monitored as part of the integrated approach to managing resources to deliver the Council Plan, provide for statutory responsibilities and secure the financial sustainability of the Council going forward.
- 6.8 The Expenditure and Funding Analysis (in Note 5) reports the Net Expenditure chargeable to General Reserves which is the outturn position referred to above. These figures are then updated for adjustments between the funding and accounting bases (technical accounting requirements) and the Net Expenditure in the Comprehensive Income and Expenditure Statement (CIES) is reported. The net cost of continuing operations on an accounting basis is £575.018m compared to the £495.508m provisional outturn position reported to Members.
- 6.9 The CIES shows the impact of adjustments to the accounts because of capital accounting requirements, pension adjustments and other technical adjustments. This includes charges to the CIES for impairment and revaluation gains and losses alongside the statutory charges for capital financing. Under the International Accounting Standard (IAS) 19, the Council is also required to recognise the cost of retirement benefits in the cost of services in the CIES when they are earned by employees rather than when the benefits are eventually paid as pensions.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- 6.10 Overall the CIES is reporting a higher net cost of continuing operations than the outturn position. After taking into account other Income and Expenditure which includes all the Council Tax income received and non-specific grants a deficit position of £109.073m is reported as the (Surplus)/Deficit on Provision of Services. This compares to the (£4.433m) underspend reported as the outturn position.
- 6.11 After other adjustments including the re-measurement of the net defined benefit (pension) asset which is £669.186m in 2022/23, the final position on the CIES is a total surplus of £591.765m. This is compared to a surplus for 2021/22 of £132.399m. The main reason for the change is the change in the re-measurement of the net pension liability of £493.777m.
- 6.12 When the management accounts are converted into the annual financial statements the Council continues to show that it is in a robust position. The Balance Sheet is now in a positive Net Assets position of £621.851m this is due to the accounting required by International Accounting Standards IAS19 for its long term pension liabilities. A negative Balance Sheet had previously been reported from 2016/17 through to 2020/21 due to the net pension liabilities.
- 6.13 Pension liability figures are volatile and are dependent upon market conditions at the Balance Sheet date as well as specific pension member information for the employer body. This can result in significant shifts in value from one year to the next with the subsequent impact on the net Balance Sheet position.
- 6.14 The method of calculation of the liability for the Council is different to that applied in respect of the Triennial Valuation for the Cumbria Pension Fund, of which the Council is one of the 125 employers. The assumptions used by the Actuary for The Council's accounting liability are prescribed in the International Accounting Standards, whereas for the valuation there is a degree of flexibility that employers can employ. However, the calculations for both individual employers and the Pension Fund are undertaken by the Fund Actuary.
- 6.15 The calculation of the future liabilities of the Pension Fund to be funded is calculated by the Fund Actuary every three years and is known as the Triennial Valuation and determines the contribution rates of each employer in the Fund.
- 6.16 The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31st March 2022 to determine the contribution rates with effect from 1st April 2023 to 31st March 2026. On the basis of the assumptions adopted, the Fund's assets of £3,318m represented 110% of the Fund's past service liabilities.
- 6.17 The new Unitary Councils and Cumbria Fire & Rescue Service have agreed their LGPS employer contribution rates to maintain this positive funded position.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

7 Reserves

- 7.1 The Movement in Reserves Statement 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 “unusable” reserves (i.e. not cash backed).
- 7.2 Usable Reserves are separated into the Statutory General Fund (General Fund Balance and Earmarked Reserves), Capital Receipts Reserve and Capital Grants Unapplied. Usable Reserves are those 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.
- 7.3 Unusable reserves are not available to fund services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts may only become available when the assets are sold and others that reflect the timing difference of when certain transactions are accounted for within the Statement of Accounts and act as a holding account for changes from one year to the next.
- 7.4 Overall Earmarked Reserves for the Council have decreased by £47.623m during 2022/23. This excludes the deficit on the DSG Reserve (£21.031m) as at 31st March 2023 which is held as an unusable reserves as required by regulation. The most significant movements in earmarked revenue reserves are explained in Note 32. General Fund Balance of £25.056m increased by the underspend of £4.433m to £29.491m for 2022/23.
- 7.5 In respect of Unusable Reserves the largest change relates to the Pension Reserve. There is a reduction in the Pensions Reserve of £604.056m from £868.422m in 2021/22 to £264.366m in 2022/23. Note 34 explains how the Pensions Reserve works. In summary, 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. Statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid.

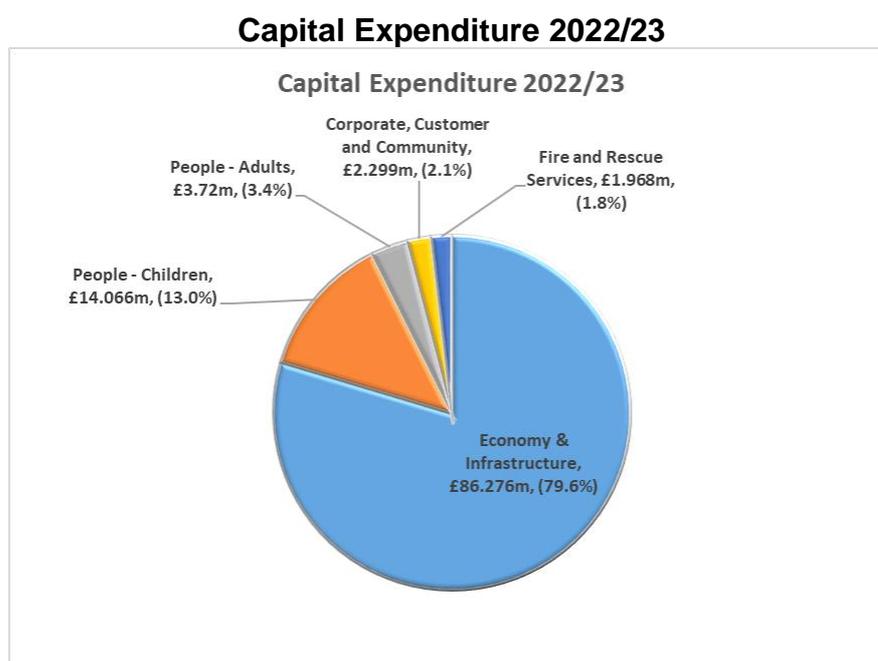
8 Capital

- 8.1 The Capital Programme sets out the Council’s investment plans over the next five years to achieve the Council’s priorities and vision. The Council approved a Capital Programme for 2022/23 to 2026/27 in February 2022. This included a budget for 2022/23 of £193.463m for Council delivered schemes. The Council has worked to secure investment for a wide range of capital projects that look to the future and will provide real and long-term benefits to Cumbria. Since February 2022, as a result of subsequent changes reported to Council and Cabinet, the Capital Budget for 2022/23 reduced to £152.602m for Council delivered schemes.
- 8.2 The Provisional outturn expenditure for the 2022/23 Cumbria County Council Capital Programme is £108.329m, this compares to the revised budget of £153.182m. Overall there is a variance against the Council capital budget of

CUMBRIA COUNTY COUNCIL SECTION 1 – NARRATIVE STATEMENT

(£44.273m). This variance is made up of an overspend of £0.519m, slippage of (£48.498m) and accelerated spend of £3.706m.

- 8.3 Whilst the outturn expenditure is lower than budget, an outturn of £108.329m is higher than the outturn delivered in previous years (2021/22 £88.645m, 2020/21 £90.728m and 2019/20 £90.891m). This represents delivery of an extensive capital programme during a period of intense pressure on Council resources, unprecedented economic challenges, market supply and labour shortages and significant cost inflation seen across the construction sector. The following chart shows the split of the £108.329m spend across the Council's Directorates with additional information available on the website.



- 8.4 The capital spend represents investment across Directorates to support the delivery of Council services. As well as maintaining the Council's assets there has been significant investment in new scheme developments to support the Council's priorities and continue to deliver the outcomes effectively. This includes:

- Local Lead Flood Authority (LLFA) Programme: flood alleviation projects completed at Carus Green, Kendal and Low Garth, Kendal which help to reduce future flood risk for these communities.
- Infrastructure Recovery Programme (IRP) Programme including Gooseholme footbridge across the river Kent in Kendal the River Kent which was completed during 2022/23 enhancing bridge assets damaged by Storm Desmond.
- Prioritised Capital Maintenance Projects/Schools Maintenance: Despite the impact of COVID and market forces more than 50 planned maintenance projects were delivered in schools. This programme is always a major undertaking considering the small window of opportunity for working in schools that exists in which most of the works must be executed.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- Completion of the new alternative provision school in Harraby, Carlisle (School 180) which will provide specialist support to the growing number of young people who are unable to access mainstream education due to social, emotional, and mental health issues.

8.5 A summary of the capital expenditure and how it was financed is shown in Note 19 to the Statement of Accounts. The Council considers carefully capital financing to ensure it is prudent, affordable and sustainable in the medium and long term. The 2022/23 capital investment of £108.329m was financed as shown in the table below.

Table 4 - Capital Financing 2022/23

	£m
Government Grants and contributions	84.642
Revenue Contributions	2.855
Prudential Borrowing	20.832
Total Capital Financing	108.329

8.6 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 the February Council meeting when the budget is set, and the strategy is part of the Treasury Management Strategy.

9 Basis of Preparation and Presentation

9.1 The Council produces a Statement of Accounts to provide transparency about the Council's finances, to give assurance to stakeholders that public money has been properly accounted for and that the financial standing of the council is on a secure basis.

9.2 The primary statements for 2022/23 are set out on pages 36 to 40 and bring together all the Council's financial statements for the year 2022/23 showing the financial position as at 31st March 2023. The statements reflect both revenue and capital elements for the General Fund, including transactions relating to joint operations with other local authorities and health bodies.

9.3 The County Council was the administering authority for the Cumbria Local Government Pension Fund. As such, the Fund accounts are included as a disclosure within the Council's accounts.

9.4 The Statement of Accounts must provide a 'true and fair' view of the Council's financial position at 31st March 2023 and of its income and expenditure for the 2022/23 financial year. When preparing the accounts consideration is given to the materiality of information. Disclosure of information is made where omitting it could be misleading or inhibit the true and fair view.

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

- 9.5 The level of usable cash reserves (£102.638m) are sufficient to ensure that the Council is able to continue to meet the cost of the provision of services over the medium term.
- 9.6 The accounts are prepared on a 'going-concern' basis which assumes that services will continue to be delivered by the public sector. As stated in para 1.3 Local Government reorganisation means that the services that the Council did deliver are now delivered by the two new unitary councils and Cumbria Fire and Rescue Service from 1st April 2023.
- 9.7 As part of the development of the Statement of Accounts each year the content is reviewed for applicability and materiality. The aim being to 'declutter' the Accounts by only including relevant and material accounting policies and disclosure notes. The Council's materiality level is in the region of £12.5m and hence any notes to the Accounts below this value that are not statutorily required and where the Council feels it is not required to aid understanding, have been excluded.

10 Financial Outlook

- 10.1 The Council's financial plans have been prepared at a time of significant global and national uncertainty both economically and fiscally. The war in the Ukraine has contributed to a surge in energy prices, driving high inflation across the world. Impacting on the cost not only of energy but also on the goods and services we all purchase. The Bank of England is increasing interest rates to as part of a wider fiscal policy to manage inflation however this has pushed up the cost of borrowing for families and businesses as well as government. Economic growth has slowed and a recession was still forecast for 2023.
- 10.2 The cost of living crisis is continuing and this is affecting all of our residents in different ways and this is resulting in increased demand for support services including welfare support and advice and guidance, increased uptake of free school meals and increased request for hardship support. Partly this is provided through the Government Household Support grant and partly funded direct by the Council.
- 10.3 All Councils are also still recovering from the impact of the COVID 19 pandemic and the changes that has had on both demand for services and also workforce pressures and risks around recruitment and retention in many parts of the economy. This is particularly prevalent across social care services resulting in challenges in delivering the required care support capacity to meet the identified need. Work is ongoing with health partners to ensure that attracting staff is high profile and career opportunities are encouraged and working effectively together is maximised.
- 10.4 The Government's Autumn Statement in November 2022 provided a financial plan for the short term with guidelines for the medium term and beyond.

CUMBRIA COUNTY COUNCIL
SECTION 1 – NARRATIVE STATEMENT

- 10.5 The Government delayed the rollout of the social care charging reforms from October 2023 to October 2025. Funding for implementation will however be maintained within local government to enable local authorities to address current adult social care pressures.
- 10.6 The Government will provide local authorities in England with additional flexibility in setting council tax, by increasing the referendum limit for increases in council tax to 3% rather than 2% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.

11 Financial Statements

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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
Movement in Reserves Statement	Shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (for example the Revaluation Reserve which holds unrealised gains and losses or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations). This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
Balance Sheet	The Balance Sheet shows the values as at 31 st March 2023 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority, analysed between 'usable' and 'unusable' reserves.
Cash Flow Statement	<p>This summarises the changes in cash and cash equivalents during 2022/23. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.</p> <p>Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority'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 authority.</p>

12 Expenditure and Funding Analysis

- 12.1 The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- 12.2 The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

13 Annual Governance Statement

- 13.1 The Audit & Assurance Committee approved the Council's draft Annual Governance Statement (AGS) at its meeting on 9th March 2023. The draft AGS summarised the governance framework that was in place in the Council during 2022/23. The Statement demonstrated that the Council has effective arrangements for the governance of the Council and was satisfied that there is a robust system of internal control. There were no significant governance matters reported for 2022/23.

14 Pension Fund

- 14.1 The Council is the administering body for the Cumbria Local Government Pension Scheme (LGPS) which is managed by the Council on behalf of 125 employers, across the county, and the Firefighters' Pension Scheme, hence the Council's Statement of Accounts includes supplementary financial statements for these pension funds. Section 10 sets out these financial statements and relevant notes for the LGPS and Section 8 for the Firefighters' Pension Scheme.

Cumbria LGPS

- 14.2 During the year to 31st March 2023 the value of the Cumbria LGPS decreased by £155m from £3,318m (31/03/2022) to £3,163m (31/03/2023). The Fund returned -3.9% (net of fees) which was below the Fund's bespoke index performance benchmark for the year of -2.9%. The main detractors to performance during the year included assets with absolute or inflation-plus benchmarks including the Fund's UK property holdings and multi asset credit funds.
- 14.3 As a long-term investor, the Fund is primarily focused on longer-term performance and the Fund again outperformed its 10 year benchmark with average annual investment returns of 7.3% (net of fees) over the past 10 years (compared to a benchmark of 6.6%).
- 14.4 During the year the Fund continued the process of implementing the Fund's agreed asset allocation, with investment decisions being taken in a managed and responsive way in recognition of the volatility in investment markets. This

CUMBRIA COUNTY COUNCIL

SECTION 1 – NARRATIVE STATEMENT

included reducing the Fund's holding in multi-asset credit funds and investing the proceeds into the Fund's increased strategic allocation to private debt. The Fund has also actively rebalanced between assets to reduce outperforming assets such as the Border to Coast UK Equity fund and Overseas Developed Equity fund and reinvesting these proceeds into index-linked gilts, as this asset had fallen below the percentage range set for it in the Fund's Investment Strategy.

15 Group Accounts

15.1 The Group Accounting Statements are set out in section 7 and shows an improvement of £597.259m in the total value of the Group Net Assets from a Net Assets position of £43.710m at 31st March 2022 to a Net Assets position of £640.969m at 31st March 2023. The change relates mainly to the decrease in the Group pension liability of £604.891m.

16 Events After The Reporting Period

16.1 The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at the 12th February 2024 in respect of the audited Statement of Accounts for 2022/23.

16.2 Accounting rules define two types of events after the reporting period:

- Adjusting events: provide evidence of conditions that existed at the Balance Sheet date and, where material, the financial statements and notes in the statement of accounts are required to be amended to reflect the impact of the events.
- Non adjusting events: which are indicative of conditions that arose after the Balance Sheet date but where there is no requirement for the financial statements and notes in the statement of accounts to be amended to reflect the events, but additional explanatory notes may need to be added.

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

16.3 Cumbria County Council ceased to exist on 31st March 2023 with Local Government Reorganisation taking place on 1st April 2023. The assets and liabilities of the Council have transferred to the new unitary authorities and the Fire, Police and Crime Commissioner. The services previously delivered by the Council have transferred to the successor authorities.

16.4 On the 19th December 2023 Westmorland and Furness Council and Cumberland Council, as the 50/50 shareholders of Cumbria County Holdings Ltd (CCH), gave approval to the CCH Board to sell one of its subsidiary undertakings, Cumbria Waste Group (CWG), to Waterland. The business will continue to be based at its Carlisle headquarters and all staff will transfer as part of the sale with no change to roles and responsibilities.

CUMBRIA COUNTY COUNCIL
SECTION 1 – NARRATIVE STATEMENT

- 16.5 This is a non adjusting event and the estimated impact on the Council's group accounts based on the 2022/23 Accounts would be a transfer out of c£39.6m assets, c£24.9m liabilities and turnover of c£53.9m.
- 16.6 CCH will continue to own the Orian Solutions group and will further invest in the growth of this part of the business.

CUMBRIA COUNTY COUNCIL
SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF
ACCOUNTS

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 (Director of Resources).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Chief Executive and Directors' Responsibilities

- The Chief Executive and other 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 Director of Resources.
- Each 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 Director of Resources 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 Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Director of Resources has also:

1. Kept proper accounting records which were up to date.
2. 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 31st March 2023 and its expenditure and income for the year ended the 31st March 2023.

Signed:

P Duke

Pam Duke

Director of Resources (S151 Officer),

12th February 2024

**CUMBRIA COUNTY COUNCIL
SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF
ACCOUNTS**

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 Committee at its meetings held on 11th December 2023 have been approved by a resolution of this Committee.

Signed on behalf of Westmorland and Furness Council

A Coles

Cllr Andy Coles
Chair of Audit Committee

Date 12th February 2024

CUMBRIA COUNTY COUNCIL

SECTION 3 – INDEPENDENT AUDITOR’S REPORT

Independent auditor's report to the members of Westmorland and Furness Council in respect of the audit of Cumbria County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Cumbria County Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Firefighters' Pension Fund Financial Statements comprising the Fund Account, the Net Assets Statement and Notes to the Firefighters' Pension Scheme Financial Statements. The notes to the financial statements include the Accounting Policies, Notes to the Accounting Statement, Introduction to the Group Accounts and the Notes to the Group Accounting Statements. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to Note 3 to the Accounting Statements, which indicates that Cumbria County Council ceased to exist on 31 March 2023. The assets and liabilities of the Authority have transferred to Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is a continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

CUMBRIA COUNTY COUNCIL

SECTION 3 – INDEPENDENT AUDITOR’S REPORT

In our evaluation of the Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority’s and group’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority’s disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s and the group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor’s report thereon and our auditor’s report on the pension scheme financial statements. The Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with ‘Delivering Good Governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

CUMBRIA COUNTY COUNCIL

SECTION 3 – INDEPENDENT AUDITOR’S REPORT

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Fire and Rescue Services Act 2004 and the Local Government Act 1972. We also identified the following additional regulatory frameworks in respect of the firefighters’ pension scheme accounts; the Public Service Pensions Act 2013, the Firefighters’ Pension Scheme (England) Regulations 2014 and the Firefighters’ Pension Scheme (England) Order 2006.

We enquired of management and the Audit Committee, concerning the group and Authority’s policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of

CUMBRIA COUNTY COUNCIL

SECTION 3 – INDEPENDENT AUDITOR’S REPORT

the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journals with specific risk characteristics and large value journals and significant accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on material manual journals posted close to year end and unusual journal entries recorded during the year and after year end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of pension liability and valuation of land and buildings, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of pension liability, valuation of PFI liability, valuation of land and buildings, provisions, year-end income and expenditure accruals, depreciation and fair value disclosures. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority’s engagement team included consideration of the engagement team’s:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group’s control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Cumbria County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

CUMBRIA COUNTY COUNCIL
SECTION 3 – INDEPENDENT AUDITOR’S REPORT

Signature: Sarah L Ironmonger

Name Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester
13/02/2024

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

Accounting Statements

Comprehensive Income and Expenditure Statement

2021/22			2022/23			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Note Ref	£000	£000	£000
694,603	(449,028)	245,575	People	756,247	(463,806)	292,441
196,936	(25,797)	171,139	Economy & Infrastructure	203,161	(30,093)	173,068
21,502	(1,250)	20,252	Fire and Rescue Service	23,258	(954)	22,304
10,525	(1,429)	9,097	Local Committees	12,640	(862)	11,778
55,715	(13,992)	41,724	Corporate, Customer & Community Services	67,103	(17,463)	49,640
3,501	(1,642)	1,859	Finance	8,764	(1,574)	7,190
23,889	(22,884)	1,005	Other Corporate Items	27,787	(9,190)	18,597
1,006,672	(516,021)	490,651	Cost of Services	1,098,961	(523,943)	575,018
4,820	0	4,820	Other Operating Expenditure	3,545	0	3,545
91,747	(39,208)	52,539	Financing and Investment Income and Expenditure	118,809	(58,261)	60,548
0	(508,857)	(508,857)	Taxation and Non Specific Grant Income	0	(530,038)	(530,038)
1,103,239	(1,064,086)	39,153	Deficit on Provision of Services	1,221,315	(1,112,242)	109,073
		3,857	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(31,642)
		(175,409)	Re-measurement of the net defined benefit liability / (asset)			(669,186)
		(171,552)	Other Comprehensive Income and Expenditure			(700,828)
		(132,399)	Total Comprehensive Income and Expenditure			(591,755)

**CUMBRIA COUNTY COUNCIL
SECTION 4 - ACCOUNTING STATEMENTS**

Movement in Reserves Statement

2022/23	Note Ref	General Fund Balance £000	Earmarked Reserves £000	Total Statutory General Fund £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022	31/32/33	(25,056)	(150,260)	(175,316)	(5,579)	(3,907)	(184,801)	154,707	(30,094)
Movement in reserves during 2022/23									
(Surplus) or deficit on the provision of services		109,073	0	109,073	0	0	109,073	0	109,073
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	(700,828)	(700,828)
Total Comprehensive Income and Expenditure		109,073	0	109,073	0	0	109,073	(700,828)	(591,755)
Adjustments between accounting basis and funding basis under regulations	10	(65,883)	0	(65,883)	(7,532)	1,164	(72,251)	72,251	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves		43,189	0	43,189	(7,532)	1,164	36,821	(628,577)	(591,755)
Transfers (to) / from Earmarked Reserves	32	(47,623)	47,623	0	0	0	0	0	0
(Increase) or Decrease in 2022/23		(4,434)	47,623	43,189	(7,532)	1,164	36,821	(628,577)	(591,755)
Balance at 31 March 2023	31/32/33	(29,490)	(102,638)	(132,128)	(13,111)	(2,743)	(147,982)	(473,869)	(621,851)

**CUMBRIA COUNTY COUNCIL
SECTION 4 - ACCOUNTING STATEMENTS**

2021/22	Note Ref	General Fund Balance £000	Earmarked Reserves £000	Total Statutory General Fund £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2021	31/32/33	(25,056)	(116,427)	(141,483)	(5,179)	(3,173)	(149,835)	252,138	102,303
Movement in reserves during 2021/22									
(Surplus) or deficit on the provision of services		39,153	0	39,153	0	0	39,153	0	39,153
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	(171,552)	(171,552)
Total Comprehensive Income and Expenditure		39,153	0	39,153	0	0	39,153	(171,552)	(132,399)
Adjustments between accounting basis and funding basis under regulations	10	(72,987)	0	(72,987)	(400)	(734)	(74,121)	74,121	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves		(33,834)	0	(33,834)	(400)	(734)	(34,968)	(132,399)	(132,399)
Transfers (to) / from Earmarked Reserves	32	33,834	(33,834)	0	0	0	0	0	0
(Increase) or Decrease in 2021/22		0	(33,834)	(33,834)	(400)	(734)	(34,968)	(132,399)	(132,399)
Balance at 31 March 2022	31/32/33	(25,056)	(150,260)	(175,316)	(5,579)	(3,907)	(184,801)	154,707	(30,094)

CUMBRIA COUNTY COUNCIL
SECTION 4 - ACCOUNTING STATEMENTS

Balance Sheet

31 March 2022			31 March 2023
£000	Notes		£000
1,295,372	22	Property, Plant and Equipment	1,328,935
588	22.2	Heritage Assets	590
6,732	22.3	Investment Property	6,416
45		Intangible Assets	11
3,183	25	Long-Term Investments	3,183
1,855	25	Long-Term Debtors	1,651
1,307,775		Long Term Assets	1,340,786
140,075	25/26	Short-Term Investments	85,625
2,000		Assets Held for Sale	0
2,067		Inventories	1,867
81,888	24/25	Short-Term Debtors	108,475
85,495	25/28	Cash and Cash Equivalents	66,723
311,525		Current Assets	262,690
(9,626)	25	Short-Term Borrowing	(15,167)
(113,574)	25/29	Short-Term Creditors	(113,989)
(2,642)	30	Provisions	(3,992)
(26,757)	18	Grants Receipts in Advance - Revenue	(34,898)
(56,969)	18	Grants Receipts in Advance - Capital	(40,188)
(209,568)		Current Liabilities	(208,234)
(5,780)	25	Long-Term Creditors	(4,850)
(5,913)	30	Provisions	(6,005)
(381,696)	25/26/27	Long-Term Borrowing	(370,880)
(8,988)		Deferred Income	(8,459)
(108,917)	21/25	Long Term PFI Liabilities	(106,397)
(865,917)	25/35.2	Net Pension Liabilities	(264,366)
(2,427)	18	Grants Receipts in Advance - Capital	(12,434)
(1,379,638)		Long Term Liabilities	(773,391)
30,094		Net Assets	621,851
(184,801)	31/32	Usable Reserves	(147,982)
154,707	33	Unusable Reserves	(473,869)
(30,094)		Total Reserves	(621,851)

Cash Flow Statement

2021/22		Note Ref	2022/23
£000			£000
39,153	Net (surplus) or deficit on the provision of services		109,073
(151,749)	Adjustment to surplus or deficit on the provision of services for noncash movements		(149,045)
74,963	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		91,011
(37,633)	Net cash flows from operating activities	36	51,037
68,211	Net cash flows from investing activities	37	(39,749)
2,109	Net cash flows from financing activities	38	7,484
32,687	Net (increase) or decrease in cash and cash equivalents		18,772
118,182	Cash and cash equivalents at the beginning of the reporting period		85,495
85,495	Cash and cash equivalents at the end of the reporting period	28	66,723

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its overall financial position as at 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Amendment) Regulations 2022 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 2022/23 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. This is in accordance with IFRS15
- 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 5 - ACCOUNTING POLICIES

ii. Accounting Concepts 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.

Fair presentation

Accounting standards require the Statement of Accounts to present information in a way which is:

- 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 judgement, 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 assumed that the Council continued in existence until 31st March 2023 as a result of the announcement regarding Local Government Reorganisation in Cumbria in 2021. The services the Council delivered continue to be delivered by the public sector post Vesting Day of 1st April 2023.

Primacy of Legislative Requirements

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

iii. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct material 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. In addition a third Balance Sheet is required where the Prior Period Adjustment is material.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Director of Finance. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of 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 noncurrent 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.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

iv. Charges to Revenue for Non-Current Assets continued

In the case of capital spend incurred before 1st April 2008 and spend financed by “supported” borrowing in all the following years; from 1st April 2009 this is charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.

In the case of all capital spend financed by Prudential Borrowing; this is subject to MRP under the Asset life method – equal instalments charged over the estimated life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations.

Repayments included in the annual PFI charges or finance leases are applied as MRP.

v. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority’s arrangements for accountability and financial performance. Each service segment includes the appropriate charges for the use of its non-current assets e.g. depreciation, impairment, impairment reversals etc. Each service segment also includes the appropriate employee benefit accrued costs.

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, paid sick leave 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.

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 can no longer withdraw an offer relating to the termination of the employment of an officer or group of officers, or to encourage voluntary redundancy.

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 four individual firefighters' schemes) provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

a) Teachers' Pensions

This scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on percentages of members' pensionable salaries, as set by DfE. 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 People revenue account is charged with the employer's contributions payable to teachers' pensions in the year. The council is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement, and are included in the Council's balance sheet as a liability (Note 34 provides further details).

vii. Employee Benefits continued

b) Firefighters' Pensions

There are currently four Fire Fighters Pension Schemes:

- the 1992 scheme which came into effect on 1st March 1992 but became a closed scheme on 6th April 2006;
- the 2006 scheme which came into effect on 6th April 2006;
- the Modified scheme which is open to all Retained Firefighters who were employed between 1st July 2000 and 5th April 2006. Retained firefighters employed between these dates were not given the opportunity to join the membership of the 1992 Scheme. The Modified scheme is a modified section of the 2006 Scheme which gives membership to retained firefighters employed within the above period;
- the 2015 Scheme which came into effect on 1st April 2015 and is available to firefighters appointed on or after that date.

Transfer to 2015 Scheme

The 2015 scheme is open to all firefighters appointed on or after 1st April 2015. Serving firefighters who have an interest in the 1992, 2006 or Modified schemes will either remain in their existing scheme until retirement, transfer into the 2015 scheme on 1st April 2015, or transfer into the 2015 Scheme at a later date dependent on their age.

Firefighters who transfer into the 2015 Scheme have protected rights in the earlier schemes, dependent on their age.

Firefighters who did not transfer into the 2015 scheme on 1st April 2015 will transfer into the scheme on defined taper dates based on their age.

The Firefighters' schemes are accounted for as defined benefits schemes. Although contributions are made into the schemes and they are based on final salary, they are unfunded to the extent that assets are not specifically held to meet pension liabilities. The Home Office 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 NHS Pension Scheme

The NHS Scheme is administered by NHS Business Services Authority. The arrangements for the NHS 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 (despite providing defined benefits to members) – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health revenue account is charged with the employer's contributions payable to NHS pensions in the year.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

vii. Employee Benefits continued

Post Employment Benefits continued

d) 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.

The Local Government Pension 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 projected earnings for current employees. Liabilities are measured on an actuarial basis discounted to present value using the projected units method. The discount rate to be used is determined in reference to market yields at the Balance Sheet date of 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

The change in the net pension asset / liability is analysed into the following components:

a) Service cost comprising:

- ***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 services for which the employees worked.
- ***past service cost*** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Corporate Items.
- ***net interest on the net defined benefit liability i.e. net interest expense for the authority*** - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

vii. Employee Benefits continued

Post Employment Benefits continued

b) Re-measurement comprising:

- ***the return on plan assets*** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ***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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ***contributions paid to the Cumbria Local Government Pension Scheme*** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

viii. Government Grants and Contributions

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).

viii. Government Grants and Contributions continued

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.

Capital Grants and Contributions

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.

Revenue Grants

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.

ix. Leases

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.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

ix. Leases continued

The Council as Lessee (Leased In)

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 establish if a lease is finance or operating and accounted for accordingly.

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.

CUMBRIA COUNTY COUNCIL

SECTION 5 - ACCOUNTING POLICIES

ix. Leases continued

Finance Leases continued

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 (Leased out)

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.

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 establish 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.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

ix. Leases continued

Finance Leases continued

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.

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.

x. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar 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.

Any gains arising from re-negotiation of the financing arrangements of the PFI is spread over the contract term as a reduction in the interest charge. This is done by posting the payment to the Balance Sheet as deferred income and releasing it to the Comprehensive Income and Expenditure Statement as the Council's exposure to repaying the sum is reduced (e.g. by scheduling).

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.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

xi. 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.

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 1st 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.

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.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

xi. Property, Plant and Equipment continued

Measurement continued

Donated assets are measured initially at current value. The difference between current 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
- surplus assets- fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

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

Assets included in the Balance Sheet at current 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 current value at the year end. The Council implemented a transition to a three year rolling valuation programme with effect from 2021/22. The carrying value of land and buildings is reviewed annually to ensure that it is not materially different to the current value. 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.

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.

xi. Property, Plant and Equipment continued

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 below), 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.

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.

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

xi. Property, Plant and Equipment continued

Disposals and Non-Current Assets Held for Sale continued

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.

Where the assets of a school are recognised on the Council's Balance Sheet prior to a transfer to an Academy they are treated as a de-recognition in year. The assets are treated as a disposal with nil sale proceeds to be recognised.

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 5 - ACCOUNTING POLICIES

xi. Property, Plant and Equipment 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. Because of the diverse nature of the Council's assets individual asset lives have been assigned as appropriate within the ranges shown below.

Operational Buildings	Up to 60 years
Waste Disposal Sites	30 years
Vehicles, Plant, Furniture & Equipment	Up to 50 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life and therefore no depreciation charged

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.

Components have been recognised in the financial year where:

- there has been a revaluation of assets;
- there has been an acquisition of assets within the financial year;
- enhancement expenditure has been incurred within the financial year.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

Non-Current Assets - Schools

Schools Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

xi. Property, Plant and Equipment continued

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Senior Manager - Highways & Infrastructure using industry standards where applicable as follows:

Part of the Highways Network	Useful Life (years)
Carriageways	20
Carlisle Northern Development Route (CNDR)	30
Footways and cycle tracks	25
Structures (Bridges, Tunnels and Underpasses)	80
Street Furniture	30
Traffic Management Systems	20

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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).

xi. Property, Plant and Equipment continued

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

xii. 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 schools.

xiii. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

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 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.

Financial Instruments

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

xv. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

CUMBRIA COUNTY COUNCIL

SECTION 5 - ACCOUNTING POLICIES

xv. Financial Assets continued

Debtors

Debtors are recognised when goods and services have been provided by the Council for an agreed price. Short-term debtors are carried at cost as this is a fair approximation of their value.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES), for interest receivable, are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset, are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place, because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the de-recognition of the asset, are credited or debited to the Financing and Investment Income and Expenditure line, in the Comprehensive Income and Expenditure Statement.

The Council holds no assets under this classification.

xvi. 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 highly liquid 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.

xvii. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation, which 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.

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.

xviii. Reserves

As part of the statutory General Fund the Council maintains an unearmarked General Fund Balance 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 statutory General Fund is made up of:

- The unearmarked General Fund Balance is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.
- Earmarked Reserves are set aside to meet specific items of future expenditure.

CUMBRIA COUNTY COUNCIL SECTION 5 - ACCOUNTING POLICIES

- 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.

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement 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 in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Unusable Reserves

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.

xix. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control or significant influence over the entity.

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures 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 investment in Cumbria County Holdings 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.

xx. Joint Arrangements

Joint Arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classed as:

- A Joint Venture
- A Joint Operation

Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement, have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. 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.

xxi. 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.

xxii. 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:

Adjusting Events

- 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

Non Adjusting Events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events,

CUMBRIA COUNTY COUNCIL

SECTION 5 - ACCOUNTING POLICIES

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.

xxiii. Value Added Tax

Value Added Tax payable is included only to the extent that it is not recoverable from HM Revenue & Customs. Value Added Tax receivable is excluded from income.

xxiv. Pooled Funds

The People Directorate – Childrens and Adults, both work with authorities outside the Council to ensure that a coordinated approach to service delivery is achieved. Operating surpluses or deficits are shared in accordance with the agreements between the parties. The Council only accounts for its own share of income, expenditure and assets and liabilities in accordance IFRS 11 Joint Arrangements and Accounting policy xx Joint Arrangements.

xxv. Council Tax and Business Rates

Both Council Tax and Business Rates are collected by District Councils on behalf of the County Council. The Council's share of income from both of these sources is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non Specific Grant Income line. The difference between the income which has been recognised in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. The Balance Sheet includes all creditor and debtor balances relating to the Council's share of Council Tax and Business Rates balances.

Cumbria had a Business Rate Pool, established on 1st April 2018; it comprised the County Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council, South Lakeland District Council, Copeland Borough Council and Carlisle City Council. Government treats the Pool as a single body with the County Council acting as the lead authority. The Cumbria Business Rate Pool had a formal agreement and a financial protocol agreed by all members. At the financial year end, alongside the reporting of the Business Rate income for the Council as reported above, the financial protocol requires that each member retains its relative proportion of the Cumbria Business Rate Pool Local Volatility Reserve on its own Balance Sheet. An element of the Net Retained Levy for the Pool is set aside each year, to provide protection for Pool members from falls in business rate income.

xxvi. Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets, investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices in active markets for identical assets and liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

xxvii. Rounding

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statements of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs. The rounding differences do not reflect any inaccuracy or error.

xxviii. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

CUMBRIA COUNTY COUNCIL
SECTION 5 - ACCOUNTING POLICIES

Accounting for Schools - Transfers to Academy status

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status. The Council has no continuing interest in the school as an entity and does not receive a consideration on transfer. The resultant gain or loss is recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Note 1 - Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023/24 code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- b) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- d) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

The above changes are not expected to have a material impact on the Council's single entity statements or group statements.

Previously, IFRS 16 Leases in the Public Sector was due to be implemented from April 2022. However, following a late emergency consultation to help alleviate delays to the publication of audited financial statements, CIPFA/LASAAC recommended the deferral of the implementation of IFRS 16 Leases in the Public Sector for a further two years until the 2024/25 financial year, with an effective date of 1st April 2024. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). This was considered and supported by the Government's Financial Reporting Advisory Board (FRAB). Authorities do have the option to adopt IFRS16 early i.e. before 2024/25. The Council has chosen not to adopt IFRS16 prior to 2024/25.

Note 2 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Section 5, 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.

Property, Plant and Equipment

The Council owns a large and diverse range of property assets. The Council has to use judgement to determine whether property, plant and equipment owned by the Council are operational assets, investment properties, surplus assets or assets held for sale. The Council's Valuers, in consultation with the finance team, make judgements in accordance with IAS 16 Property, Plant and Equipment, IAS 40 Investment Property and IFRS13 Fair Value Measurement to classify these assets. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. Assets classified as surplus or investment properties are revalued on an annual basis at fair value.

Land and buildings included in the Balance Sheet at current value are revalued at least once every five years, or once every four years for school assets. The assets are then carried at this value in the Balance Sheet and depreciated until the next revaluation is undertaken. The carrying value of land and buildings is reviewed annually by the Council's valuation team to ensure that it is not materially different to the current value.

The Council's external Valuers use their judgement to determine the significant assumptions applied in estimating the carrying values, these are:

School Specific Assumptions
Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
Estimate the number of pupils it would be built for using the council's pupil number records.
Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Judgement is also required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's external Valuers and finance team work 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. Further details of the componentisation policy are provided in Accounting Policy xi.

Group Accounts

The Council has to decide whether there is a group relationship between the Council and other entities, and whether these relationships are material on a quantitative or qualitative basis. 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, based on International Financial Reporting Standards (IFRS 10, 11 & 12). The following judgements have been made:

- The Council has an investment valued at £3.183m representing a 100% shareholding in Cumbria County Holdings Ltd (CCHL), 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, which requires the production of Group Accounts. Further details of the Group Accounts are in Section 7.
- NW Firecontrol Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. It has been determined that the company is governed by Joint Control as unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement.
- The Council holds a 49% stake in Traveline Cumbria Ltd which provides travel enquiry call centre services. This investment has not been consolidated into the group accounts on the basis of materiality. Further details are provided in note 38.
- The Council is partners in a number of Pooled Budgets, including the 'Better Care Fund', 'Youth Offending Service' and 'Specialised Commissioning'. Pooled budgets occur where a number of partners agree to set aside funds for a specific purpose that they will pursue jointly, to address common objectives or realise benefits from working together. Whilst partners collectively agree the services to be provided, the agreed services are commissioned by the respective partners via their own contracts with end providers, with the commissioning entity holding end providers to account for the services they provide. On this basis, the Council has determined that the transactions of these pools are not reflected in the Council's financial statements, except for

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

expenditure incurred on agreed services commissioned by the Council via its own contracts with end providers, and the income it receives from the Pools to pay for these services. Further details on Pooled Budgets are provided in note 12.

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. Specific judgements made in relation to this are set out below.

Closed Landfill Sites

The sites have already been returned to the levels/standards required of any original planning consent; most are already in use for example as grazing land. The only spend that is being incurred is on environmental monitoring and routine site maintenance. A reliable estimate of the future costs that relate to the closed landfill sites cannot be made because of the age of the sites and lack of information on the type and volumes of waste disposed of and that they are not engineered sites.

The Council has considered this issue again in 2022/23 and has concluded that no provision is required for the 2022/23 accounts but will continue to make disclosure in contingent liabilities (note 40).

Schools

Accounting for Schools – Consolidation

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the County are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools' land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The table below sets out the number and type of schools within the County as at 31st March 2023.

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Nursery Schools	No of Special Schools	No. of Pupil Referral Units	Total No. of Schools	On Council's Balance Sheet	Off Council's Balance Sheet
Community	98	8	5	3	3	117	117	0
Voluntary Controlled (VC)	46	0	0	0	0	46	0	46
Voluntary Aided (VA)	58	2	0	0	0	60	0	60
Foundation	12	2	0	0	0	14	10	4
Total Maintained Schools	214	12	5	3	3	237	127	110
Academies	54	26	0	3	0	83	0	83
Total	268	38	5	6	3	320	127	193

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not owned by the Council and not included on the Council's Balance Sheet.

Leases

The Council has examined its leases, and arrangements that have the substance of a lease, and classified them as either operating or finance leases, in line with IAS17. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. Note 20 contains the details of the Council's finance and operating leases. Finance leases are on the Balance Sheet and have a net book value at 31st March 2023 of £12.989m. The future minimum lease payments for operating leases which are not on the Balance Sheet total £5.389m.

Note 3 - Demise of the Organisation

Given local government reorganisation in Cumbria, Cumbria County Council ceased to exist on 31st March 2023. The assets and liabilities of the Council have transferred to Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is a continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are either 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 as at 31st March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainty	Consequences if actual results differ from assumption
<p><u>Asset Valuation</u></p> <p>Land and buildings are valued at 'current value' based on existing use or on a depreciated replacement cost (DRC) basis. DRC is used when there is no established property market (excluding sales for alternative use) which would enable a reliable valuation by any other method.</p> <p>The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuer has provided valuations as at 31st March 2023 for all of the Council's investment portfolio and approximately 60% of its operational land and buildings portfolio.</p> <p>The remaining balance of operational land and buildings not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the Council's assets are not materially misstated at the Balance Sheet date. This assessment has confirmed that the Balance Sheet is materially correct.</p>	<p>The gross book value of the operational land and buildings valued on a DRC basis was £499m at 31st March 2023 (equivalent to 85.2% of the total gross book value of operational land and buildings at this date).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £50m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Further detail on asset valuations is provided in note 22.</p>

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

<p><u>Pensions Asset / Liability</u> Estimation of the net asset / 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. Mercer Limited, 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 asset / liability of changes in individual assumptions can be measured. Note 35 includes a sensitivity analysis. In summary for all Pension schemes the effects are:</p> <p>0.5% <u>increase</u> in the discount rate assumption would result in a <u>decrease</u> in the net pension surplus / deficit of £154.624m and vice versa. 0.25% <u>increase</u> in inflation would result in an increase of £83.857m in the net pension asset / liabilities.</p> <p>1 year increase in life expectancy would increase net assets / liabilities by £40.918m.</p> <p>For the LGPS (the only scheme with assets) a 1% increase in the 2022/23 investment returns would increase the assets by £18.449m.</p> <p>Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14.</p> <p>At 31st March 2023 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. Unfunded liabilities are excluded from the asset ceiling calculation and are recognised on the Balance Sheet (£15.964m).</p> <p>Further detail is provided in note 35.</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Note 5 -Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Regulations effective from 1st April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority has a deficit on its Schools Budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account, but instead record any such deficit in a separate account. The Dedicated Schools Grant Adjustment Account was created for that purpose and the in-year deficit for 2021/22 and cumulative deficit brought forward as at 1st April 2021 were transferred into that account. As at 31st March 2023 the Dedicated Schools Grant (DSG) had an accumulated deficit of £21.031m excluding balances held within individual schools. The regulations have been extended for a further three years by means of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022 (SI 2022 No 1328) to the financial years ending 31st March 2026.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 5 -Expenditure and Funding Analysis continued

2021/22					2022/23				
Net Expenditure Chargeable to the General Fund Balance (Restated)	Adjustment for DSG Reserve transfer to Unusable Reserves	Net Expenditure reported to Members	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	Net Expenditure reported to Members	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
206,145	5,051	211,196	34,379	245,575	249,879	6,339	256,218	36,222	292,440
126,200	0	126,200	44,939	171,139	151,751	0	151,751	21,316	173,067
20,693	0	20,693	(441)	20,252	22,954	0	22,954	(650)	22,304
9,296	0	9,296	(200)	9,097	12,149	0	12,149	(371)	11,778
36,429	0	36,429	5,294	41,724	42,437	0	42,437	7,204	49,641
28,528	0	28,528	(26,669)	1,859	30,742	0	30,742	(23,552)	7,190
(29,572)	0	(29,572)	30,578	1,005	(20,743)	0	(20,743)	39,340	18,597
397,719	5,051	402,770	87,881	490,651	489,169	6,339	495,508	79,509	575,017
(431,554)	0	(431,554)	(19,944)	(451,498)	(445,983)	0	(445,983)	(19,960)	(465,943)
(33,832)	5,051	(28,784)	67,937	39,153	43,186	6,339	49,525	59,549	109,073
					(Surplus) or Deficit on Provision of Services				
(141,485)				Opening Statutory General Fund	(175,320)				
(33,835)				Plus (Surplus) or Deficit on the Statutory General Fund for the Year	43,186				
(175,320)				Closing Statutory General Fund	(132,130)				

Notes: The 2021/22 Net Expenditure Reported to Members on 9th June was £402.760m, there was a subsequent technical accounting adjustment of £0.010m required to Other Corporate items which increased the Net Expenditure to £402.770m.

Note 5.1 - Note to the Expenditure and Funding Analysis

Adjustment Between Funding and Accounting Basis

The adjustments between the funding and accounting basis shown in the Expenditure and Funding Analysis can be further broken down into the following three categories:

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

This column includes the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

This column includes all other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **For services**, this represents the minimum revenue provision, interest payable and receivable that are reported as part of service net expenditure during the year but for statutory accounting purposes they are part of Financing and Investment Income and Expenditure.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

- **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
2022/23				
People	6,991	30,760	(1,529)	36,222
Economy & Infrastructure	30,727	5,811	(15,222)	21,316
Fire and Rescue Service	(442)	(222)	14	(650)
Local Committees	(385)	14	0	(371)
Corporate, Customer & Community Services	2,562	4,606	36	7,204
Finance	(13,642)	927	(10,837)	(23,552)
Other Corporate Items	42,012	(1,966)	(706)	39,340
Net Cost of Services	67,823	39,930	(28,244)	79,509
Other Income and Expenditure from the Expenditure and Funding Analysis	(68,431)	25,200	23,271	(19,960)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	(608)	65,130	(4,973)	59,549

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
2021/22				
People	8,831	27,309	(1,761)	34,379
Economy & Infrastructure	55,555	4,829	(15,445)	44,939
Fire and Rescue Service	1,247	(1,311)	(377)	(441)
Local Committees	(211)	11	0	(200)
Corporate, Customer & Community Services	1,470	4,125	(300)	5,294
Finance	(12,911)	793	(14,551)	(26,669)
Other Corporate Items	37,329	(5,554)	(1,197)	30,578
Net Cost of Services	91,309	30,202	(33,631)	87,881
Other Income and Expenditure from the Expenditure and Funding Analysis	(68,480)	21,741	26,795	(19,944)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	22,830	51,943	(6,836)	67,937

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 5.2 - Segmental Analysis of Income and Expenditure

2022/23	Revenues from External Customers	Adult Social Care Income	Depreciation and Amortisation	Interest Expense
	£000	£000	£000	£000
People	(16,807)	(39,650)	9,314	0
Economy & Infrastructure	(19,903)	0	60,697	14,677
Fire and Rescue Service	(15)	0	1,754	0
Local Committees	(560)	0	12	0
Corporate, Customer & Community Services	(2,789)	0	771	0
Finance	(742)	0	0	14,629
Other Corporate Items	(1,557)	0	125	0
Total Managed by Segments	(42,374)	(39,650)	72,673	29,306

2021/22	Revenues from External Customers	Adult Social Care Income	Depreciation and Amortisation	Interest Expense
	£000	£000	£000	£000
People	(14,880)	(36,049)	9,673	0
Economy & Infrastructure	(11,498)	0	81,973	14,665
Fire and Rescue Service	(199)	0	1,976	0
Local Committees	(85)	0	13	0
Corporate, Customer & Community Services	(2,059)	0	964	0
Finance	(734)	0	0	14,787
Other Corporate Items	(1,354)	0	105	0
Total Managed by Segments	(30,809)	(36,049)	94,704	29,451

There has been an increase of 37% in income from external customers in 2022/23 when compared to 2021/22. The significant increases are:

- People £1.927m (13%) – additional income received due to the settlement of outstanding incomplete Continuing Health Care assessments with Health bodies.
- Economy & Infrastructure £8.405m (73%) due to £1.2m increase in lettings income and £1.7m increase as charges for services return to pre COVID-19 levels and £4.4m Connecting Cumbria gainshare from BT. This gainshare is shared with BDUK who receive 52.8% of the total in line with the agreement.

Note 5.3 - Expenditure and Income Analysed by Nature

2021/22		2022/23
£000	Nature of Expenditure or Income	£000
(30,809)	Fees and charges	(42,374)
(8,834)	Contributions from District Councils for LGR	0
(36,049)	Adult Social Care service income	(39,650)
(1,593)	Interest and investment income	(3,825)
(335,219)	Income from local taxation	(344,741)
(560,450)	Government grants and contributions	(577,973)
(53,516)	Other income	(49,243)
447,699	Employee benefits expenses (See note below)	493,301
457,323	Other service expenses	526,231
103,136	Depreciation, amortisation, impairments and (gains)/losses on revaluation of non-current assets	81,086
49,689	Interest payments	52,830
892	Precepts and levies	914
2,695	Changes in impairment loss allowance of financial instruments	1,744
50	Loss on Investments	0
4,140	Net (Gain) or loss on disposal of non-current assets	10,773
39,153 (Surplus) or Deficit for Year		109,073

Employee benefits expenses in the table above include Voluntary Aided and Foundation Schools employee expenditure of £65.205m (2021/22 £67.369m).

Note 6 - Material Items of Income and Expense

The Council has considered items within the Comprehensive Income and Expenditure Statement in relation to the materiality threshold of £12.5m.

The following payments to contractors are included in the Accounts but have not been disclosed separately in the CIES but are set out below for information.

- Renewi plc of £32.449m which comprises of £25.798m unitary charge and £6.651m for other services (2021/22 total £29.984m, £24.882m unitary charge and £5.102m for services) in respect of the Public Private Partnership for Waste Management.
- Connect CNDR Ltd of £15.585m which comprises solely of unitary charge in respect of the Carlisle Northern Development Route PFI scheme (2021/22 total £14.068m solely unitary charge).
- Local Government Reorganisation (LGR). On 1st March 2022 a single Local Government Reorganisation Implementation Reserve was created which was hosted by the County Council and funded from the County and Council and six District Councils. The purpose of the Reserve was to fund the implementation of the LGR Programme to ensure that the two new

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

unitary authorities and Cumbria Fire and Rescue Service can provide safe and legal services from 1st April 2023.

In 2021/22 the Council received income from the District Councils of £8.834m in 2021/22 and incurred expenditure of £0.758m, in 2022/23 expenditure of £14.408m was incurred. There is a balance of £3.185m on the Reserve as at 31st March 2023.

The breakdown of the expenditure is:

2021/22		2022/23
£000		£000
271	Programme Management	3,704
236	People	719
61	Place	157
142	Corporate and Enabling Services	1,951
48	Finance and Commercial	364
0	Customer and Digital	95
0	ICT investment to support day one delivery	4,406
0	Branding for new Unitary Authorities	422
0	Shadow Chief Executive / Member Costs	1,559
0	Creating the New Council - Election Costs	1,030
758		14,408

- COVID-19 had a significant financial impact in 2021/22 and earlier, the Council received £15.049m of general COVID-19 grants and £22.918m of specific grants in 2021/22 which are detailed in the Grants credited to Taxation and Non Specific Grant Income and Grants credited to Services tables respectively in Note 18.

Note 7 - Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

2021/22		2022/23
£000		£000
892	Levies	913
2,392	Net (Gains)/losses on the Disposal of Non-Current Assets	975
1,536	Other	1,657
4,820	Total Other Operating Expenditure	3,545

Note 8 - Financing and Investment Income and Expenditure

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement is set out below:

2021/22		2022/23
£000		£000
29,434	Interest payable and similar charges	29,287
57,551	Net interest on the net defined benefit liability	77,874
(37,296)	Net interest on the net defined benefit (asset)	(54,331)
(360)	Interest receivable and similar income	(4,008)
(409)	Income in relation to investment properties	(447)
319	Expenditure in relation to investment properties	105
(1,143)	Investment properties changes in fair value	525
2,695	Changes in impairment loss allowance of financial instruments	1,744
1,748	Loss on Disposal of Academies	9,799
52,539	Total Financing and Investment Income and Expenditure	60,548

Further details on the Pension interest cost and return on pension assets can be found in note 35. When a school becomes an Academy the Council has no continuing interest in the school as an entity and does not receive a consideration on transfer. Net assets are therefore written off to revenue. The resultant loss is recognised in the Financing and Investing Income and Expenditure line of the Consolidated Income and Expenditure Statement. Further details on the schools that have transferred to Academy status during the year are included in note 11.

Note 9 - Taxation and Non-Specific Grant Income

The Council raises Council Tax, Business Rates and receives grants from central government each year to support revenue expenditure which is not attributable to specific services. The grants, Business Rates and Council Tax received were:

2021/22		2022/23
£000		£000
(257,422)	Council tax income	(267,657)
(77,797)	Non-domestic rates income and expenditure	(77,084)
(335,219)	Income from Local Taxation	(344,741)
(102,161)	Non-ringfenced government grants	(105,567)
(71,477)	Capital grants and contributions	(79,730)
(173,638)	Income from Non Specific Grants	(185,297)
(508,857)	Total Taxation and Non-Specific Grant Income	(530,038)

Further details of the non ring fenced government grants received are set out in note 18 Grant Income.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 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 recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

2022/2023	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pension cost (transferred to (or from) the Pensions Reserve)	(65,130)	0	0	65,130
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	17	0	0	(17)
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	4,325	0	0	(4,325)
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	633	0	0	(633)
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(6,339)	0	0	6,339
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):				
Charges for depreciation of non-current assets	(72,638)	0	0	72,638
Amortisation of Intangible Assets	(35)	0	0	35
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(8,412)	0	0	8,412
Net Revaluation Gains / (Losses) on Investment Properties	(525)	0	0	525
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(18,305)	0	0	18,305
Revenue Expenditure Funded from Capital Under Statute	(8,840)	0	0	8,840
Grants on Revenue Expenditure Funded from Capital Under Statute	3,749	0	0	(3,749)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	76,942	0	3,952	(80,894)
Total Adjustments to Revenue Resources	(94,557)	0	3,952	90,605
<u>Adjustments between Revenue and Capital Resources</u>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,532	(7,532)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	15,500	0	0	(15,500)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,854	0	0	(2,854)
Total Adjustments between Revenue and Capital Resources	25,886	(7,532)	0	(18,354)
<u>Adjustments to Capital Resources</u>				
Application of capital grants to finance capital expenditure	2,788	0	(2,788)	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Total Adjustments to Capital Resources	2,788	0	(2,788)	0
Total Adjustments	(65,882)	(7,532)	1,164	72,250

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

2021/2022	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pension cost (transferred to (or from) the Pensions Reserve)	(51,943)	0	0	51,943
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	17	0	0	(17)
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	5,827	0	0	(5,827)
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	991	0	0	(991)
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(5,051)	0	0	5,051
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):				
Charges for depreciation of non-current assets	(94,669)	0	0	94,669
Amortisation of Intangible Assets	(35)	0	0	35
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(8,432)	0	0	8,432
Net Revaluation Gains / (Losses) on Investment Properties	1,143	0	0	(1,143)
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(4,968)	0	0	4,968
Revenue Expenditure Funded from Capital Under Statute	(6,839)	0	0	6,839
Grants on Revenue Expenditure Funded from Capital Under Statute	2,659	0	0	(2,659)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	69,289	0	1,454	(70,743)
Total Adjustments to Revenue Resources	(92,011)	0	1,454	90,557
<u>Adjustments between Revenue and Capital Resources</u>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	830	(830)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	14,478	0	0	(14,478)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,528	0	0	(1,528)
Total Adjustments between Revenue and Capital Resources	16,836	(830)	0	(16,006)
<u>Adjustments to Capital Resources</u>				
Application of capital grants to finance capital expenditure	2,188	0	(2,188)	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	430	0	(430)
Total Adjustments to Capital Resources	2,188	430	(2,188)	(430)
Total Adjustments	(72,987)	(400)	(734)	74,121

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 11 - Acquired and Discontinued Operations

Where operations have been acquired or discontinued in the year, the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.

The transfer of schools to Academy status continued with nine schools: Newton, Ormsgill, Our Lady & St Patricks, St Gregory's, Petteril Bank, Vickerstown, Our Lady of the Rosary, St Mary's (Ulverston) and St Pius X schools (9 in 2021/22) converting during the year, this resulted in a reduction in gross income of £3.598m (2021/22 £7.184m) and expenditure of £3.862m (2021/22 £7.810m). This transfer of responsibility also resulted in a reduction of £9.799m (2021/22 £1.766m) in the net book value of land, buildings and equipment recorded on the Balance Sheet.

Note 12 - Pooled Budgets

There are occasions when the needs of service users cannot be met in full from within the Council. In particular, there is a need to work with the North Cumbria Integrated Care Board and Morecambe Bay Integrated Care Board as well as the Police and Probation Services. The Council has entered into a number of arrangements with these agencies to ensure proper care is provided in a coordinated manner. These arrangements are known as 'Pooled Funds' and the Council and these agencies contribute to the costs of care. Grants are also received from Government.

The Council's share of overall surpluses or deficits are credited or charged to the People directorate. The Council's legal requirements in respect of costs for each of the Pooled Funds is shown in the tables below.

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 reoffending amongst young persons.

2021/22 £000	Youth Offending Service	2022/23 £000
(633)	Authority Funding	(716)
(1,124)	Partner Funding	(1,172)
(1,756)	Total Pooled Funding	(1,888)
526	Authority Expenditure	531
1,123	Partner Expenditure	1,172
1,649	Expenditure	1,703
(107)	Net (Surplus)/Deficit on the Pooled Budget	(185)
(107)	Authority Share of the Net (Surplus) / Deficit	(185)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Better Care Fund

Cumbria County Council hosts the Better Care Fund in partnership with North East and North Cumbria Integrated Commissioning Board and Lancashire and South Cumbria Integrated Commissioning Board under section 75 of the Health Act 2006.

The pooled fund combines funding through the Better Care Fund, the Improved Better Care Fund and Winter Pressures Grant. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. The partners each account for their own share of the income and expenditure, so Cumbria County Council's Accounts recognises £33.139m income and £59.916m expenditure.

	Cumbria County Council	North East and North Cumbria ICB	Lancashire and South Cumbria ICB	Total
	£000	£000	£000	£000
Contributions				
Better Care Fund Capital	(7,131)	0	0	(7,131)
Better care Fund Revenue	0	(27,461)	(16,895)	(44,356)
Winter Pressures Funding	(2,507)	0	0	(2,507)
Improved Better Care Fund	(21,412)	0	0	(21,412)
Hospital Discharge Grant	(2,089)	(1,359)	(1,982)	(5,430)
	(33,139)	(28,820)	(18,877)	(80,836)
Spend				
<u>Better Care Fund</u>				
- Prevention	12,751	4,048	2,491	19,290
- Integrated Care Communities	24,325	3,684	2,267	30,276
- Common Platform	0	539	332	871
- Mental Health	0	650	400	1,050
Total Better Care Fund	37,076	8,922	5,489	51,487
<u>Improved Better Care Fund</u>				
- Improving System Flow	5,157	1,741	1,427	8,325
- Market Stabilisation	10,159	0	0	10,159
- Shift Based Commissioning	2,928	0	0	2,928
Total Improved Better Care Fund	18,244	1,741	1,427	21,412
<u>Winter Pressures Fund</u>				
- Support at Home	2,507	0	0	2,507
<u>Hospital Discharge Grant</u>				
- Hospital Discharge	2,089	1,359	1,982	5,430
Total Pooled Fund	59,916	12,022	8,898	80,836

Note 13 - Members' Allowances

Allowances and expenses paid to elected Members (Councillors) were:

	2021/22	2022/23
	£000	£000
968 Allowances		976
22 Expenses		41
990 Total Members' Allowances		1,017

The allowances and expenses are published annually, in full, on the Council's website.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 14 - Officers' Remuneration

The Accounts and Audit Regulations 2020 sets out the disclosure requirements for Senior Employees remuneration. The requirements provide transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. Senior employees include the Chief Executive, Executive Directors, the Director of Finance, the Chief Legal Officer (Monitoring Officer), the Chief Fire Officer and the Director of Public Health.

Senior Officer Remuneration		Salary, Fees and Allowances £	Termination Payment £	Employer's Pension Contribution £	Total £
John Metcalfe – Chief Executive (from 4/4/22 to 31/3/23)	2022/23	170,492	16,274	399,368	586,134
Gill Steward – Chief Executive (from 2/8/21 to 30/11/21)	2021/22	55,357	0	9,288	64,645
Katherine Fairclough - Chief Executive (to 27/6/21)	2021/22	36,895	0	6,789	43,684
John Readman, Executive Director - People and Deputy Chief Executive (Acting Chief Executive for periods between 1/7/21 and 31/3/22)	2022/23	147,511	0	27,142	174,653
	2021/22	154,688	0	27,885	182,573
Dawn Roberts, Executive Director – Corporate, Customer & Community Services to 8/7/22 (Acting Deputy Chief Executive for periods between 1/7/21 and 31/3/22)	2022/23	38,367	0	7,060	45,427
	2021/22	140,905	0	25,670	166,575
Angela Jones, Executive Director – Economy & Infrastructure Services (Acting Deputy Chief Executive for periods between 1/7/21 and 31/3/22)	2022/23	140,342	0	25,823	166,165
	2021/22	140,905	0	25,670	166,575
Pam Duke, Director of Finance (from 1/7/21 to 30/12/22)	2022/23	83,775	0	15,013	98,788
	2021/22	80,837	0	14,874	95,711
Julie Crellin, Director of Finance (to 12/6/21)	2021/22	21,134	0	3,889	25,023
Iolanda Puzio, Chief Legal Officer (Monitoring Officer) (to 30/11/21) (see Note)	2021/22	70,446	0	12,962	83,408
John Beard, Chief Fire Officer	2022/23	124,470	0	35,847	160,317
	2021/22	124,930	0	35,980	160,910
Colin Cox, Director of Public Health	2022/23	109,179	0	18,335	127,514
	2021/22	107,254	0	18,042	125,296
Total	2022/23	814,136	16,274	528,588	1,358,998
	2021/22	933,351	0	181,049	1,114,400

Notes

Chief Executive – John Metcalfe was appointed as Chief Executive with effect from 4th April 2022. He was made redundant on 31st March 2023 on the demise of the authority. The employer's pension contributions in the above table includes £367,998 pension strain costs and £31,370 to his employment for the year.

Executive Director – Corporate, Customer & Community Services

Following the resignation of Dawn Roberts the Council introduced an Internal Distributed Leadership Model to fill the post of Executive Director on an interim basis until 31st March 2023. This required the four Assistant Directors within Corporate Customer & Community Services to take a greater role in strategic and corporate management of the directorate. This provided continuity of leadership and a developmental opportunity for the Assistant Directors. In addition to their Assistant Director salaries they were paid an additional responsibility allowance of £766 per month. The total additional cost for the year was £0.026m. The Assistant Directors are

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

not included in the table above but are in the Officer Remuneration table on page 90 where their salaries includes the additional responsibility allowance.

Interim Director of Finance (\$151 Officer) – This post was filled by Jo Moore from 16th January 2023 to 31st March 2023. Payments have been made to Solace in Busines Ltd totalling £40,425 relating to this post.

Interim Chief Legal Officer (Monitoring Officer) - This post has been filled since 29th November 2021 by an interim, Catherine Parkinson. Payments have been made to CIPFA Penna of £219,414 relating to this post in 2022/23 (£73,168 2021/22).

Definitions

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

- **Payment upon Termination of Employment Salary** – includes redundancy costs and pay in lieu of notice.

- **Benefits in Kind** – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2022/23 the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2022/23.

- **Employer's Current Service Pension Contribution** - LGPS 18.4%, NHS Pension Scheme 15.68%, and Firefighters' Pension Scheme 28.8% - on continuing employment and in relation to the salary thereof.

- Under the terms of the LGPS, officers who, with the agreement of the employer, retire on the grounds of efficiency of the service or voluntary redundancy and are over the age of 55 are statutorily entitled to access their pension. As a result of retiring in advance of the statutory retirement age, there is a cost charged from the Pension Fund to the Council, is known as "pension strain". This is included in the figures in the table on the previous page.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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

There were no non-school staff (2 for 2021/22) whose salary is less than £50,000 but have been included in the note as they received or were due to receive payments upon the termination of their employment that brought their total remuneration above £50,000.

Remuneration for the purposes of this note consists of gross pay, sums due by way of expense allowances, payments in connection with the termination of employment and the money value of any benefits received other than in cash, employer's pension contributions are excluded.

Officer Remuneration

2021/22				2022/23			
Number of Employees				Number of Employees			
School Staff	Other Staff	Total		School Staff	Other Staff	Total	
127	100	227	£50,001 to £55,000	124	155	279	
88	51	139	£55,001 to £60,000	91	54	145	
44	62	106	£60,001 to £65,000	52	68	120	
40	9	49	£65,001 to £70,000	43	22	65	
21	25	46	£70,001 to £75,000	19	10	29	
12	15	27	£75,001 to £80,000	14	30	44	
5	6	11	£80,001 to £85,000	7	6	13	
1	2	3	£85,001 to £90,000	4	5	9	
3	1	4	£90,001 to £95,000	1	1	2	
3	3	6	£95,001 to £100,000	3	1	4	
1	7	8	£100,001 to £105,000	2	6	8	
2	3	5	£105,001 to £110,000	1	2	3	
0	3	3	£110,001 to £115,000	1	5	6	
0	0	0	£115,001 to £120,000	0	1	1	
0	1	1	£120,001 to £125,000	0	0	0	
0	0	0	£125,001 to £130,000	0	2	2	
0	0	0	£130,001 to £135,000	0	0	0	
0	1	1	£135,001 to £140,000	0	2	2	
347	289	636	Total	362	370	732	

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Exit Packages

The Code of Practice on Local Authority Accounting includes a requirement to disclose the number and total cost of exit packages which the Council “can no longer withdraw from” in bands of £20,000. Exit package payments include all redundancy costs, pension strain costs, payment in lieu of notice or any other departure costs.

The tables below gives further details for both schools and non-schools including the number of employees and the value of the packages, including, where applicable, the pension strain costs due from the Council to the Pension Fund attributable to the departure costs of some of the employees that were made redundant.

The total value of exit packages agreed in 2022/23 was £0.300m for 36 employees, an average of £8k (£0.929m for 81 employees in 2021/22, an average of £11k). The value of exit packages related to schools in 2022/23 was £0.116m for 17 employees, an average of £7k (£0.328m for 28 employees in 2021/22, an average of £12k).

The cost of the Chief Executive’s exit package is disclosed separately in the senior officer remuneration table.

Exit package cost band (including special payments)	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 (£)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	0	4	62	29	62	33	281,499	205,025
£20,001 - £40,000	0	0	15	3	15	3	419,531	95,281
£40,001 - £60,000	0	0	2	0	2	0	92,561	0
£60,001 - £80,000	0	0	2	0	2	0	135,410	0
Total	0	4	81	32	81	36	929,001	300,306

Note 15 - Termination Benefits

Termination payments to employees include: redundancy payments, payment in lieu of notice, or any other departure payments, but do not include any pension costs. In 2022/23 the termination payments made to employees totalled £0.288m and related to 35 staff. In 2021/22 the termination payments made to employees totalled £0.586m and related to 73 staff.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 16 - 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 other services provided by the Council's external auditors, Grant Thornton:

2021/22		2022/23
£000		£000
89	External Audit Fee	98
17	Additional Audit Fees 2019/20 Statement of Accounts	0
57	Additional Audit Fees 2020/21 Statement of Accounts	0
0	Additional Audit Fees 2021/22 Statement of Accounts	58
(17)	Refund from PSAA Ltd	0
146	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	156
0	Audit related – Harbour Authority Accounts Specified Procedures 2019/20 to 2021/22	3
	Audit related – Harbour Authority Accounts Specified Procedures 2022/23	1
8	Audit related – Certification of Teachers Pension Claim	10
8	Fees payable in respect of other services provided by external auditors during the year	14
154	Total	170

Note: Certification of Teachers Pension Claim fee of £10k in 2022/23 relates to the Teachers grant claim audit for 2022/23.

The external audit scale fee for the 2022/23 Statement of Accounts is £98,042, the additional fees for the year as per the Audit Findings Report are £60,750 giving a total proposed fee for 2022/23 of £158,792.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 17 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Finance Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

DSG Receivable for 2022/23	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2022/23 before Academies recoupment			430,781
Academy and High Needs figure recouped for 2022/23			(150,913)
Total DSG after academy recoupment for 2022/23			279,868
Plus Brought forward from 2021/22			0
Less: Carry forward to 2023/24 (agreed in advance)			0
Agreed initial budgeted distribution in 2022/23	57,324	222,544	279,868
In year adjustments	0	119	119
Final budget distribution for 2022/23	57,324	222,663	279,987
Less: Actual central expenditure	65,114		65,114
Less: Actual ISB deployed to schools		221,212	221,212
Plus: Local Authority contribution for 2022/23	0	0	0
In Year Carry forward to 2023/24	(7,790)	1,450	(6,339)
Total DSG unusable reserve at the end of 2021/22			(14,692)
Addition to DSG Unusable Reserve at the end of 2022/23			(6,339)
Total DSG Unusable Reserve at the end of 2022/23			(21,031)

DSG Receivable for 2021/22	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/22 before Academies recoupment			411,993
Academy and High Needs figure recouped for 2021/22			(137,329)
Total DSG after academy recoupment for 2021/22			274,664
Less Brought forward from 2020/21			0
Plus: Carry forward to 2022/23 (agreed in advance)			0
Agreed initial budgeted distribution in 2021/22	51,602	223,062	274,664
In year adjustments	0	(425)	(425)
Final budget distribution for 2021/22	51,602	222,637	274,238
Less: Actual central expenditure	(58,034)		(58,034)
Less: Actual ISB deployed to schools		(221,255)	(221,255)
Plus: Local Authority contribution for 2021/22	0	0	0
In Year Carry forward to 2022/23	(6,433)	1,381	(5,051)
Total DSG Unusable Reserve at the end of 2020/21			(9,641)
Addition to DSG Unusable Reserve at the end of 2021/22			(5,051)
Net DSG Position at the end of 2021/22			(14,692)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The reserve as at 31st March 2023 is a deficit of £21.031m, an increase to the deficit of £6.339m compared to the deficit balance of £14.692m as at 31st March 2022. The main reasons for the increase in the deficit on the DSG earmarked reserve are:

Overspend on High Needs Block	£8.171m
Underspend on other DSG funded budgets	(£1.832m)
Total	£6.339m

The overspend against the High Needs Block of £8.171m relates to individual pupils with special educational needs and disabilities (SEND) in mainstream, special schools and independent specialist providers. The number of pupils with SEND and the demand for placements together with the increasing complexity of SEND for individual pupils has risen significantly. At the end of financial year 2021/22 there were 4,372 pupils with Education Health Care Plans and this has risen to 4,456 at the end of the financial year 2022/23. This rise in demand and increase in complexity of need, as reported in 2021/22 and in previous years, has resulted in significant pressure on the High Needs Block budget. A large proportion (31%) of the funding for SEND is based on historic actual expenditure in 2017/18 which does not recognise the rapid rise in demand for specialist placements following the SEND reforms. The High Needs budget pressure being experienced by Cumbria is in line with the national picture. A High Needs DSG deficit recovery plan was discussed with the DfE in September 2020 that showed that, despite a number of innovative measures to manage down the DSG deficit, it would not be possible to balance the DSG budget in-year. Subsequent to this Cumbria was allocated additional High Needs funding of £5.136m in 2021/22 which represented an increase of 11% compared to the 2020/21 allocation. A further £7.018m additional High Needs funding was made available in 2022/23. The Council has been supported by the Department for Education's Delivering Better Value (DBV) for SEND programme and has applied for a DBV grant for both new authorities, which if successful will be £1m each to support the new authorities to achieve a balanced in-year position going forward.

The underspend against other DSG budgets of (£1.832m) comprises of (£1.508m) against the Early Years Block which is mainly due to a difference between the actual take-up of 2, 3 and 4 year-old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation for 2022/23 which is based on the previous year's actual take-up of provision. A deduction will be made in July 2023 against the 2023/24 DSG allocation for the difference in funding due when the final Early Years block allocation for 2022/23 is confirmed. The remaining balance of (£0.324m) mainly relates to an underspend against the School Contingency Fund of (£0.262m) and other individually non-material variances across various budget lines totalling a net underspend of (£0.062m).

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 18 - Grant Income

The Council received the following non ring-fenced Government Grants and Capital Grants and contributions which were credited to taxation and non-specific grant income in the CIES and summarised in note 8.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

2021/22		2022/23
£000		£000
(18,146)	Revenue Support Grant	(18,709)
(18,540)	Social Care Grant	(25,318)
(11,669)	NNDR Small Businesses Relief Grant	(13,977)
(13,549)	PFI Grant	(13,536)
(10,656)	Top Up Grant (Central Government)	(10,656)
0	Services Grant	(6,125)
(6,093)	Rural Services Support Grant	(6,093)
(3,241)	Independent Living Fund	(3,241)
0	Market Sustainability and Fair Cost of Care Grant	(1,692)
(1,510)	Troubled Families Grant	(1,510)
(1,255)	Fire Pension Grant	(1,255)
0	SFAA Levy Allocation – Additional Grant	(745)
(342)	New Homes Bonus Grant	(625)
(10,381)	COVID-19 Emergency Funding Grant	0
(368)	COVID-19 Business Rate Relief Grant	0
(4,171)	COVID-19 Local Tax Guarantee Grant	0
(129)	COVID-19 Sales, Fees and Charges Support Grant	0
(2,111)	Other Revenue Grants & Contributions < £1m	(2,085)
(102,161)	Total Revenue Grants and Contributions	(105,567)
	<u>Capital Grants & Contributions</u>	
(22,401)	DfT Highways Block Grant	(23,602)
(16,722)	DfT Additional Pothole & Challenge Funding	(16,163)
(10,643)	Homes & Communities Agency Grant	(15,547)
(4,233)	DfE Prioritised Capital Maintenance Grant	(5,907)
(1,327)	Basic Needs Grant	(3,722)
0	DfT Safer Roads	(2,692)
(1,581)	Getting Building Fund	(2,225)
(343)	Borderlands Inclusive Growth Deal	(1,037)
(1,325)	Formula Capital Grant	(1,027)
(1,069)	Growth Deal Grant	(942)
(3,000)	DfT Highways Flooding Grant 2015/16	(854)
(2,165)	DfT Flood Recovery – Challenge Fund	0
(90)	Pothole Action Fund	0
(1,903)	Environment Agency	0
(4,674)	Other Capital Grants & Contributions < £1m	(6,012)
(71,477)	Total Capital Grants and Contributions	(79,730)
(173,637)	Total	(185,297)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Credited to Services Specific grants are credited to services and shown as Gross Income in the Comprehensive Income and Expenditure Account. The Council received the specific grants detailed below.

2021/22		2022/23
£000		£000
(274,663)	Dedicated Schools Grant	(279,868)
425	Dedicated Schools Grant - adjustment re previous year	(119)
(23,217)	Improved Better Care Fund (incl Winter Pressures)	(26,010)
(19,018)	Public Health Grant	(19,552)
(11,222)	Pupil Premium Grant	(11,141)
(3,638)	Household Support Grant	(7,388)
(4,490)	Primary PE & Sports Grant	(5,894)
(5,207)	Sixth Form Funding	(5,559)
0	School Supplementary Grant	(5,464)
(4,279)	Universal Free School Meals Grant	(4,042)
0	Homes for Ukraine	(2,637)
(2,347)	Adult & Community Learning Grants	(2,304)
0	Recovery Premium	(1,940)
(1,341)	WELL Project	(1,449)
(1,169)	Holiday Activities & Food	(1,260)
0	DfE Grants Direct to Schools	(1,181)
0	National Tutoring Programme	(1,118)
0	Domestic Abuse	(975)
(827)	Youth Offending Team Grant	(909)
0	Additional Drug Treatment	(879)
(588)	Teachers Pension Grant	(560)
(208)	Teachers Pay Grant	(154)
(2,418)	COVID-19 – Contain Outbreak Management Fund	0
(7,766)	COVID-19 – Infection Control Grant	(428)
(1,374)	COVID-19 – Catch Up Premium	0
(2,365)	COVID-19 – Winter Grant Scheme	0
(117)	COVID-19 – Workforce Capacity	(90)
(4,832)	COVID-19 – Workforce Retention & Recruitment	0
(4,046)	COVID-19 – Other service specific grants	(146)
(9,446)	Other Grants & Contributions < £1m	(7,859)
(2,659)	REFCUS Grants	(3,749)
(386,812)	Total	(392,675)

The Council is required to disclose the following specific grants individually to meet the terms and conditions of the grants:

- £28,328 Police and Crime Panel Grant from the Home Office in 2022/23 (£25,991 in 2021/22). This grant is made to Cumbria County Council, as the host authority, for the maintenance of the Police and Crime Panel for the Cumbria police area.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

- £1.702m was received from Sellafield Limited in 2019/20 to deliver the Western Excellence in Learning & Leadership (WELL) project. The remaining balance of £0.486m was merged with the WELL 2 grant in 2021/22. A further £3.998m was awarded during 2020/21 to be spent in the period to 30th September 2024. £2.734m was received in prior years and £1.264m in 2022/23. Expenditure was £1.130m during 2021/22 and £1.449m in 2022/23. The balance carried forward to 2023/24 is £1.906m.
- The Dedicated Schools Grant adjustment re previous years shown in the table above relates to adjustments to the early years block of the grant updated to reflect pupil numbers on the January census which was notified to the Council in the following May.
- Active Cumbria received £730,377 from Sport England in 2022/23 (£635,268 in 2021/22). Further details of Active Cumbria's accounts can be found at www.activecumbria.org.

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31st March 2022 £000		31st March 2023 £000
(14,141)	Revenue Grants Receipts in Advance < £1m	(19,701)
(12,616)	Revenue Contributions Receipts in Advance < £1m	(15,197)
(26,757)	Total	(34,898)

Grants Receipts in Advance (Capital Grants) - Current Liabilities

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. Where the grant or contribution is expected to be utilised in financing the Council's capital expenditure within the next twelve months, the balance is included as a Current Liability. The balances at the year end are as follows:

31st March 2022 £000		31st March 2023 £000
(2,079)	DfT Highways Block Grant	(10,384)
(3,357)	Highways & Flood Recovery (2015) Grant	(2,502)
(7,742)	DfT Safer Roads	(5,050)
(5,480)	Basic Need Grant	(1,531)
(2,251)	DfT Additional Pothole & Challenge Funding	(1,117)
(2,159)	Devolved Formula Capital Grant	(4,354)
	Active Travel	(4,212)
(945)	Additional Prioritised Maintenance	0
(1,117)	Borderlands Inclusive Growth Deal	0
(20,565)	Homes & Communities Southern Link Road	(4,980)
(6,914)	Getting Building Fund	(4,336)
(4,360)	Other Grants & Contributions <£1m	(1,722)
(56,969)	Total	(40,188)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

At 31st March 2023 there was a total of £6.075m of unused capital contributions held in the Capital Grants Unapplied Account (£3.906m at 31st March 2022).

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

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. Where the grant or contribution is not expected to be utilised in financing the Council's capital expenditure within the next twelve months, the balance is included as a Long Term Liability. The balances at the year end are as follows:

31st March 2022 £000		31st March 2023 £000
0	Homes & Communities Agency Grant	(7,211)
0	Active Travel	(1,881)
0	DfE High Needs	(1,801)
(1,500)	Getting Building Fund	0
(4)	Growth Deal – A595 Grizebeck	(4)
(923)	Other Grants & Contributions <£1m	(1,537)
(2,427)	Total	(12,434)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 19 - Capital Expenditure and Capital Financing

31st March		31st March
2022	Capital Expenditure and Capital Financing	2023
£000		£000
557,222	Opening Capital Financing Requirement	556,029
	Capital Investment:	
81,802	Property Plant and Equipment	99,461
4	Investment Property	28
0	Intangible Assets	0
6,839	Revenue Expenditure Funded from Capital Under Statute	8,840
88,645	Total Capital Spending	108,329
	Sources of Finance:	
(429)	Capital receipts	0
(71,948)	Government Grants and other contributions	(82,270)
(1,454)	Capital Grants Unapplied	(2,372)
	<i>Sums set aside from revenue:</i>	
(1,528)	- Direct revenue contributions	(2,854)
(14,478)	- Minimum revenue provision	(15,501)
(89,837)	Total Sources of Finance	(102,997)
556,029	Closing Capital Financing Requirement	561,361
31st March		31st March
2022	Explanation of movements in year	2023
£000		£000
(14,478)	Decrease in underlying need to borrow (supported by government financial assistance)	(15,501)
13,286	Increase in underlying need to borrow (unsupported by government financial assistance)	20,832
(1,192)	(Decrease) / Increase in Capital Financing Requirement	5,331

Minimum Revenue Provision

The Council is required to set aside a minimum revenue provision (MRP) for the redemption of external debt in accordance with its MRP Policy which is approved by Council for each financial year. 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.

In November 2016 Council approved a change to the MRP policy for supported and pre 2008 borrowing from 4% reducing balance to 2% straight line which results in a MRP charge which is more aligned with the period over which the underlying assets provide benefit (see Accounting Policy iv). For 2022/23 the MRP was £15.501m (2021/22 £14.478m).

The annual MRP charge as a percentage of the Capital Financing Requirement for is 2.76%. In 2021/22 the percentage is 2.60%.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 20 - 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 in Other Land and Buildings.

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 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 2022/23 there were no contingent rents payable by the Council (None in 2021/22).

The Council sub-lets part of one of the buildings which it leases in. Income of £0.170m was received in 2022/23 (£0.170m 2021/22).

**Authority as Lessee (leased in) - Finance Leases
(on balance sheet)**

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31st March 2022 £000		31st March 2023 £000
13,487	Other Land and Buildings	12,989
13,487	Total	12,989

**Authority as Lessee (leased in) - Operating Leases
(not on balance sheet)**

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31st March 2022 £000		31st March 2023 £000
1,023	Not later than one year	770
1,425	Later than one year and not later than five years	1,172
3,608	Later than five years	3,447
6,056	Total	5,389

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.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The expenditure charged to services in the CIES during the year in relation to these leases was:

31st March 2022 £000		31st March 2023 £000
2,094	Minimum lease payments	1,503
(170)	Less: Sub lease payments receivable	(170)
1,924	Total	1,333

Authority as Lessor (leased out) - Operating Leases

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

31st March 2022 £000		31st March 2023 £000
822	Not later than one year	710
1,895	Later than one year and not later than five years	1,842
4,090	Later than five years	4,990
6,807	Total	7,542

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.

The income is allocated to the appropriate service within the Comprehensive Income and Expenditure Statement for 2022/23. Lease income of £0.822m (2021/22 £1.404m) was recognised as income in the Comprehensive Income and Expenditure Statement.

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. There were no material contingent rents receivable by the Council in 2022/23 or 2021/22.

Note 21 - Service Concession Arrangements

The Council currently has three PFI/PPP contracts which are detailed below. Although the payments made to the contractors 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 is established at the same time that the assets are recognised on the Balance Sheet i.e. when they become operational.

Waste Management Contract

The Waste Management Contract was signed in June 2009; it is a 25 year Public Private Partnership (PPP) contract between the Council and Renewi plc. The cost to the Council over the remaining life of the contract is expected to be £337m. 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, Renewi constructed two 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. Renewi 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.

The waste treatment facility in the North became operational in December 2011 and the facility in the South in January 2013. Renewi have taken over responsibility for disposing of the County's residual waste via landfill.

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 Council and Connect CNDR Ltd. The cost to the Council over the remaining life of the contract is expected to be £293m. 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 was 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.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The re-negotiation of the highways contract in respect of the operation of the CNDR Route was concluded in December 2018, the Council elected to take its share of the gain from the re-financing as an upfront lump sum of £10.574m in 2018/19. The recommended accounting treatment of such a gain is that the gain should be held on the Council's Balance Sheet as deferred income and spread over the contract term rather than be recognised in the year that it is received.

To enable the Council to take the full benefit of this gain in 2018/19 as intended and set out in the re-financing agreement a corresponding draw down has been made from the CNDR Grant In Advance. As the annual sum is released from the deferred income it will be transferred to the CNDR Grant in Advance reserve to replenish the reserve. The ability to meet future commitments upon the reserve have been reviewed and remains satisfactory, and the deferred income is ring-fenced and is being released over the remaining life of the contract. At 31st March 2023 the deferred income is £8.459m.

Fire Station Replacement PFI Scheme

The Council is involved in a PFI project, with Merseyside and Lancashire Fire and Rescue Authorities, to provide sixteen new fire stations, five of which are 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 completion in 2013/14. The cost to the Council of the Cumbria element of the contract is expected to be £40m. At the end of the concession period the fire stations will be transferred to the Council's ownership. The contract will run for 25 years from the date of final handover, and the Council pays a unitary payment. The stations built in Cumbria are:

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

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Movement in PFI Assets

2022/23	Waste Management PPP £000	Carlisle Northern Development Route PFI £000	Fire Station Replacement PFI £000	Total £000
Cost or Valuation				
at 1 st April 2022	37,203	57,057	18,071	112,331
Accumulated Depreciation written out to Gross Carrying Amount	(2,918)	0	(424)	(3,342)
Revaluation (decreases) recognised in the Revaluation Reserve	4,702	0	1,264	5,966
Derecognition	(1,202)	0	0	(1,202)
Revaluation (decreases) recognised in the Surplus / Deficit on Provision of Services	0	0	139	139
at 31st March 2023	37,785	57,057	19,050	113,892
Accumulated Depreciation and Impairment				
at 1 st April 2022	(2,662)	(13,555)	0	(16,217)
Depreciation charge	(1,459)	(2,076)	(424)	(3,959)
Derecognition	1,202	0	0	1,202
Accumulated Depreciation written out to Gross Carrying Amount	2,918	0	424	3,342
at 31st March 2023	0	(15,631)	0	(15,631)
Net Book Value				
at 31st March 2023	37,785	41,426	19,050	98,261
at 1st April 2022	34,541	43,502	18,071	96,114

2021/22	Waste Management PPP £000	Carlisle Northern Development Route PFI (Restated) £000	Fire Station Replacement PFI £000	Total (Restated) £000
Cost or Valuation				
at 1 st April 2021	37,203	57,057	17,523	111,783
Accumulated Depreciation written out to Gross Carrying Amount	0	0	(1,323)	(1,323)
Revaluation (decreases) recognised in the Revaluation Reserve	0	0	1,871	1,871
at 31st March 2022	37,203	57,057	18,071	112,331
Accumulated Depreciation and Impairment				
at 1 st April 2021	(1,154)	(11,478)	(888)	(13,520)
Depreciation charge	(1,508)	(2,077)	(435)	(4,020)
Accumulated Depreciation written out to Gross Carrying Amount	0	0	1,323	1,323
at 31st March 2022	(2,662)	(13,555)	0	(16,217)
Net Book Value				
at 31st March 2022	34,541	43,502	18,071	96,114
at 1st April 2021	36,049	45,579	16,635	98,263

The 2021/22 asset movement for the Carlisle Northern Development Route has been updated from that published in the 2021/22 Accounts to reflect the additional depreciation charged in 2021/22 but not included in this note.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Movement in PFI Liabilities

2022/23	Waste Management PPP £000	Carlisle Northern Development Route PFI £000	Fire Station Replacement PFI £000	Total £000
Balance outstanding at start of year	(42,361)	(54,631)	(13,886)	(110,878)
Payments during the year	670	769	419	1,859
Balance outstanding at year-end	(41,691)	(53,862)	(13,467)	(109,020)

2021/22	Waste Management PPP £000	Carlisle Northern Development Route PFI £000	Fire Station Replacement PFI £000	Total £000
Balance outstanding at start of year	(42,693)	(55,478)	(14,274)	(112,445)
Payments during the year	332	847	387	1,567
Balance outstanding at year-end	(42,361)	(54,631)	(13,886)	(110,878)

Payments due under PFI schemes - 2022/23

1. Reimbursement of Capital Expenditure	Waste Management PPP £000	Carlisle Northern Development Route PFI £000	Fire Station Replacement PFI £000	Total £000
Short Term PFI Liability				
Payable within one year	1,070	1,100	453	2,622
Long Term PFI Liability				
Payable within two to five years	7,969	7,445	2,230	17,644
Payable within six to ten years	24,149	13,645	4,024	41,818
Payable within eleven to fifteen years	8,502	23,424	6,057	37,984
Payable within sixteen to twenty years	0	8,248	703	8,951
Total Long Term Liability	40,621	52,762	13,014	106,397
Total	41,691	53,862	13,467	109,020

2. Interest	Waste Management PPP £000	Carlisle Northern Development Route PFI £000	Fire Station Replacement PFI £000	Total £000
Payable within one year	5,477	7,967	1,234	14,678
Payable within two to five years	19,632	31,392	4,585	55,609
Payable within six to ten years	14,271	34,184	4,623	53,078
Payable within eleven to fifteen years	480	24,472	2,725	27,677
Payable within sixteen to twenty years	0	4,855	15	4,871
Total	39,860	102,870	13,183	155,913

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

3. Payment for Services	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Payable within one year	20,137	6,762	696	27,595
Payable within two to five years	86,451	27,007	2,987	116,445
Payable within six to ten years	122,129	40,651	4,262	167,043
Payable within eleven to fifteen years	26,419	48,273	4,945	79,637
Payable within sixteen to twenty years	0	12,198	383	12,581
Total	255,137	134,891	13,273	403,300

4. Total Payments Due under PFI	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Total	336,687	291,623	39,923	668,234

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 22 - Property, Plant and Equipment

Movements to 31 March 2023

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<u>Cost or Valuation</u>						
at 1st April 2022	555,410	69,303	53	21,641	19,674	666,082
Additions	17,250	6,503	0	1,369	22,512	47,635
Accumulated Depreciation written out to Gross Carrying Amount	(20,133)	(165)	0	(182)	0	(20,480)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,165	82	0	1,809	585	31,641
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,681)	89	0	(820)	0	(8,413)
Derecognition – disposals	(10,317)	(2,412)	0	(5,795)	(677)	(19,201)
Assets reclassified (to)/from Investment Property	(184)	0	0	0	0	(184)
Other movements	3,263	0	0	(25)	(3,519)	(281)
at 31st March 2023	566,773	73,401	53	17,998	38,575	696,799
<u>Accumulated Depreciation and Impairment</u>						
at 1st April 2022	(17,667)	(28,440)	0	0	0	(46,107)
Depreciation charge	(12,978)	(4,794)	0	(307)	0	(18,079)
Accumulated Depreciation written out to Gross Carrying Amount	20,133	165	0	182	0	20,480
Derecognition – disposals	470	2,348	0	77	0	2,895
Assets reclassified (to)/from Investment Property	2	0	0	0	0	2
Reclassifications and transfer	0	0	0	0	0	0
at 31st March 2023	(10,039)	(30,722)	0	(48)	0	(40,809)
<u>Net Book Value</u>						
at 31st March 2023	556,733	42,680	53	17,950	38,575	655,990
at 31st March 2022	537,743	40,863	53	21,641	19,674	619,975

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Movements to 31 March 2022

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<u>Cost or Valuation</u>						
at 1st April 2021	568,757	100,632	53	21,881	10,272	701,595
Additions	12,185	3,695	0	1,978	12,439	30,296
Accumulated Depreciation written out to Gross Carrying Amount	(11,478)	(929)	0	(949)	0	(13,357)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,607)	191	0	533	0	(3,883)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,093)	(367)	0	(1,186)	(786)	(8,432)
Derecognition - Other	0	(35,422)	0	0	0	(35,422)
Derecognition – disposals	(3,572)	(56)	0	(516)	(572)	(4,716)
Reclassifications and transfer	218	1,561	0	(100)	(1,679)	0
at 31st March 2022	555,410	69,303	53	21,641	19,674	666,082
<u>Accumulated Depreciation and Impairment</u>						
at 1st April 2021	(15,592)	(60,075)	0	(706)	0	76,373
Depreciation charge	(13,630)	(4,767)	0	(274)	0	(18,670)
Accumulated Depreciation written out to Gross Carrying Amount	11,478	929	0	949	0	13,357
Derecognition - Other	0	35,422	0	0	0	35,422
Derecognition – disposals	71	56	0	31	0	158
Reclassifications and transfer	6	(6)	0	0	0	0
at 31st March 2022	(17,667)	(28,440)	0	0	0	(46,107)
<u>Net Book Value</u>						
at 31st March 2022	537,743	40,863	53	21,641	19,674	619,975
at 31st March 2021	553,166	40,557	53	21,175	10,272	625,222

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

During 2022/23 £1.314m (2021/22 £35.422m) of Plant, Vehicles and Equipment that were fully depreciated and being held on the Balance Sheet at nil net book value were identified as no longer being operational assets. The adjustment results in a derecognition of gross costs of 2022/23 £1.314m (2021/22 £35.422m) of Plant, Vehicles and Equipment and of accumulated depreciation of the same value. There is no impact on the net book value or the financial statements.

The Council has set in place a three year rolling programme of asset revaluations. The history of asset valuations is as follows:

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	0	41,635	0	41,635
Valued at current value as at:				
31/03/2023	338,249	1,045	0	339,294
31/03/2022	57,064	0	0	57,064
31/03/2021	67,929	0	0	67,929
31/03/2020	62,550	0	0	62,550
31/03/2019	30,942	0	0	30,942
Valued at fair value as at:				
31/03/2023	0	0	13,718	13,718
31/03/2022	0	0	4,222	4,222
31/03/2021	0	0	9	9
Total Net Book Value	556,734	42,680	17,949	617,363

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every three years. The Valuation Office Agency (VOA) have carried out the valuations from 2021/22 onwards. The 2022/23 valuations were carried out by the following:

The lead valuer is Frances Hay MRICS.

Non-specialised assets

Simon Croft, Daniel Moore, Hayley Anderson and James Gater carried out inspections and undertook research and valuations. All work was supervised by the report signatory at a detailed level. The valuations have been reviewed and verified by Simon Croft, Head of Local & Devolved Government Sector. All of the above are RICS Registered Valuers. Lucy Willis, Emily Baxendale, Thomas Willis and Cameron Wykes, all graduate valuers, also assisted with inspections, research and valuations.

Specialised assets valued on a DRC basis.

Malcolm Lytton, Jeffrey Grand and Andrew Thomas, Building & Mineral Surveyors, carried out inspections and undertook research and valuations of the specialised assets valued on a DRC basis. They also carried out the componentisation. Their work was supervised by the report signatory at a high level and quality assured by their senior team member

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

James McLearn and Nick Merriman. Steven Beresford, Anthony Johnson, Cerys Evans and Qasim Dad, all graduate valuers, also assisted with inspections, research and valuations.

Andrew Lloyd, Plant & Machinery Specialist, carried out inspections and undertook research and valuations in respect of the plant and machinery at the Port of Workington.

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 Code of Practice on Local Authority Accounting.

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 is 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 current values are:

General Assumptions	School Specific Assumptions
Using existing buildings records make an allowance for age and obsolescence for the existing buildings on site from a functional, economic and physical perspective.	Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
Land value based on comparables costs to purchase or compulsory purchase land in the given location.	Estimate the number of pupils it would be built for using the council's pupil number records.
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.	Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.
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.	

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Property assets are classified as:

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

The carrying value is reported or measured as follows:

Category	Basis
Property plant and equipment (except infrastructure community assets and assets under construction)	Current Value (EUV)
Specialised property	Current Value (DRC) or Existing Use Value (EUV)
Investment Property	Fair Value (highest and best use) (IFRS 13)
Assets held for sale	Lower of carrying amount and fair value less costs to sell (IFRS 13)
Surplus Assets	Fair Value (IFRS 13)

Highways Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021/22		2022/23
699,890	Net Book Value (modified historic cost) as at 1 st April	675,397
51,506	Additions	51,826
0	Derecognitions	0
(75,999)	Depreciation	(54,559)
0	Other movements in cost	281
675,397	Net Book Value at 31st March	672,945

Reconciliation to Balance Sheet

2021/22		2022/23
675,397	Infrastructure Assets	672,945
619,975	Other Property Plant & Equipment Assets	655,990
1,295,372	Total Property, Plant & Equipment	1,328,935

CUMBRIA COUNTY COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The Council has determined in accordance with Regulation (30M England or 24L Wales) of the Local Authorities (Capital Finance and Accounting) (England/Wales)(Amendment) Regulations 2022 that the carrying amount to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Note 22.1 - Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

There were impairment losses of £0.924m in 2015/16, as a result of damage caused to three Council properties in the December 2015 flooding. In 2018/19 impairment losses of £0.085m have been written out on revaluation. £0.254m written out on revaluation in 2017/18 and £0.585m written out on disposal of the affected property in 2016/17. There have been no impairment losses in 2021/22 or 2022/23.

Note 22.2 – 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.

The carrying value of Heritage Assets held by the Council as at 31st March 2023 was £0.590m (£0.588m as at 31st March 2022). The increase in value of £0.002m reflects the updating of insurance valuations.

Note 22.3 – Investment Properties

Each year the Council reviews its property portfolio to identify any properties that should be classified as Investment Properties. The 2022/23 review has resulted in no further properties being re-classified as investment properties. There are a total of 26 (21 at 31st March 2022) investment properties. In 2022/23 the Council acquired a further five assets.

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

	2021/22 £000	2022/23 £000
Investment Properties		
Rental Income from Investment Properties	(409)	(447)
Direct Operating Expenses	319	105
	(90)	(342)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The movement in the value of investment properties are analysed below:

	2021/22	2022/23
Investment Properties	£000	£000
Balance at start of year:	5,585	6,732
Additions	4	28
Net gains/(losses) from fair value adjustments	1,143	(525)
Transfer from Property Plant & Equipment	0	182
Balance at 31st March	6,732	6,416

All the Council's investment properties have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio.

Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year. In estimating their fair values, the Council's investment properties have been valued at their highest and best use.

Note 23 - Fair Value Disclosures for Surplus Assets

All the Council's surplus assets have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year. In estimating their fair value, the Council's surplus assets have been valued to their highest and best use. The net book value at 31st March 2023 was £17.950m (31st March 2022 £21.641m).

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 24 – Short Term Debtors

An analysis of sums due to the Council as at 31st March is as follows:

31st March 2022 £000		31st March 2023 £000
13,676	Residential and non-residential care charges	12,705
3,232	Other Receivable Amounts	11,802
20,469	Central Government Bodies	29,255
5,000	Other Local Authorities	6,298
12,364	NHS Bodies	12,957
22	Public Corporations and Trading Funds	5,725
11,127	Local Taxation (council tax and non-domestic rates)	12,408
15,997	Other Prepayments	17,325
81,888	Total	108,475

An analysis of the age of Local Taxation Debtors (Council Tax and Non-Domestic Rates) that were past due at the Balance Sheet date is set out in the following table:

	At 31 st March 2022			At 31 st March 2023		
	Council Tax £000	Non-Domestic Rates £000	Total - Local Taxation £000	Council Tax £000	Non-Domestic Rates £000	Total - Local Taxation £000
Past due status						
Past due less than 12 months	7,692	494	8,186	9,357	533	9,890
Past due more than 12 months	13,148	419	13,567	14,072	419	14,491
Impairment Allowance	(10,190)	(435)	(10,625)	(11,535)	(437)	(11,973)
	10,650	478	11,128	11,894	515	12,408

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 25 - Financial Instruments

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories:

Non-Current Financial Assets

	Investments		Debtors		Total
	31 st				
	March	March	March	March	March
	2022	2023	2022	2023	2023
	£000	£000	£000	£000	£000
Amortised cost	0	0	1,855	1,651	1,651
Measured at cost	3,183	3,183	0	0	3,183
Total financial assets	3,183	3,183	1,855	1,651	4,834

Current Financial Assets

	Investments		Debtors		Cash		Total
	31 st						
	March						
	2022	2023	2022	2023	2022	2023	2023
	£000	£000	£000	£000	£000	£000	£000
Cash not falling into the following categories	0	0	0	0	28,075	20,609	20,609
Amortised cost	140,125	85,625	16,908	24,508	0	0	110,133
Fair value through profit and loss	0	0	0	0	57,419	46,114	46,114
Total financial assets	140,125	85,625	16,908	24,508	85,495	66,723	176,856
Non-financial assets	0	0	64,980	83,967	0	0	83,967
Total	140,125	85,625	81,888	108,475	85,495	66,723	260,823

Non-Current Financial Liabilities

	Borrowings		Creditors		Other long-term liabilities		Total
	31 st	31 st	31 st				
	March	March	March	March	March	March	March
	2022	2023	2022	2023	2022	2023	2023
	£000	£000	£000	£000	£000	£000	£000
Amortised cost:							
Public Works Loans Board	(357,200)	(346,500)	0	0	0	0	(346,500)
Market Loans	(24,399)	(24,380)	0	0	0	0	(24,380)
Other	(97)	0	0	0	0	0	0
Creditors	0	0	0	0	(108,917)	(106,397)	(106,397)
Total financial liabilities	(381,696)	(370,880)	0	0	(108,917)	(106,397)	(477,277)
Non-financial liabilities	0	0	(5,780)	(4,850)	(865,917)	(264,366)	(269,216)
Total	(381,696)	(370,880)	(5,780)	(4,850)	(974,834)	(370,763)	(746,493)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Current Financial Liabilities					
	Borrowings		Creditors		Total
	31st March 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000	31st March 2023 £000
Amortised cost					
Public Works Loans Board	(9,437)	(14,978)	0	0	(14,978)
Market Loans	(189)	(189)	0	0	(189)
Creditors	0	0	(59,583)	(65,809)	(65,809)
Total financial liabilities	(9,626)	(15,167)	(59,583)	(65,809)	(80,975)
Non-financial liabilities	0	0	(53,992)	(48,180)	(48,180)
Total	(9,626)	(15,167)	(113,575)	(113,989)	(129,156)

Income, Expense, Gains and Losses

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

	31st March 2022		31st March 2023	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net losses on:				
• financial assets measured at amortised cost	2,697	0	1,744	0
Total net losses	2,697	0	1,744	0
Total interest revenue	(360)	0	(4,008)	0
Interest expense	29,434	0	29,287	0

Note 26 - Financial Instruments - Fair Value

Fair Value Of Assets And Liabilities

The Council has a number of financial assets and liabilities on 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, new borrowing rates as per PWLB rate sheet number 127/23 have been applied to provide the fair value under PWLB debt redemption procedures.
- For other market debt i.e. LOBOs 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.
- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.
- For PFI Liabilities the PWLB new loan rate has been applied.

Basis for recurring fair value measurements:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

During the years 2021/22 and 2022/23 all fair value measurements were based on level 2 inputs, with no Level 1 or 3 for either year.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are required)

	Financial Liabilities			
	31st March 2022		31st March 2023	
	Carrying Amount	Fair Value (Level 2)	Carrying Amount	Fair Value (Level 2)
	£000	£000	£000	£000
Financial Liabilities held at Amortised Cost:				
Public Works Loans Board	(366,637)	(423,173)	(361,479)	(305,596)
Market Loans	(24,587)	(31,447)	(24,569)	(23,791)
Other	(97)	(97)	0	0
Total Loans & Borrowings	(391,321)	(454,717)	(386,048)	(329,387)
PFI and finance lease liabilities	(110,878)	(171,694)	(109,020)	(144,874)
Total	(502,199)	(626,411)	(495,068)	(474,261)

The fair value of the PFI liabilities has been calculated using the PWLB new loan rate.

The fair value of the PWLB borrowings, Market Loans (LOBOs) is lower than the carrying amount because the majority of the Council's portfolio of loans is at a fixed rate which is lower than the prevailing rate at the Balance Sheet date.

	Financial Assets			
	31st March 2022		31st March 2023	
	Carrying Amount	Fair Value (Level 2)	Carrying Amount	Fair Value (Level 2)
	£000	£000	£000	£000
Amortised Cost (Investments)	140,125	140,125	85,625	85,625
Cash and Cash Equivalent: Other	28,075	28,075	20,609	20,609
Cash and Cash Equivalent: Fair value through profit and loss	57,419	57,419	46,114	46,114
Long-Term Debtors	1,855	1,855	1,651	1,651
Total	227,474	227,474	153,999	153,999

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The Fair Values of Financial Assets that are measured at Cost

The Council has financial assets that are measured at cost. This is the Council's shareholding in Cumbria County Holdings Ltd.

The shares (representing 100% of the Company's capital) are carried at a cost of £3.183m 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. The Council has no current intention to dispose of the shareholding.

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 Council were transferred to the company in exchange for £2,813,000 of shares. In 2012/13, the Council exchanged shares in CWM for shares in Cumbria County Holdings Ltd (CCH), which is also wholly owned by the Council. This company owns the shares in CWM.

On 1st April 2013 the Council purchased 370,000 ordinary £1 shares in Orian Solutions Ltd for a consideration of £0.370m. Orian Solutions Ltd is wholly owned by Cumbria County Holdings Ltd. The balance as at 31st March 2021 and 31st March 2022 is £3.183m.

In June 2009, the Council selected a waste management partner, Renewi plc, in a 25 year Public Private Partnership (PPP) contract. CWM Ltd is a subcontractor to Renewi, under this contract.

Note 27 - 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.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- 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.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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 institutions that meet specific creditworthiness criteria. The credit ratings of investments as at 31st March 2023 are detailed below:

Deposits with Banks and Financial Institutions	Fitch Rating	Amount at 31st March 2023 £000
Cash and Cash Equivalents		
BNP PARIBAS MMF	AAA	11,000
FEDERATED ST PRIME MMF	AAA	9,000
ABERDEEN STANDARD MMF	AAA	5,200
DEUTSCHE PLATINUM MMF	AAA	18,800
NATWEST LIQUIDITY	A+	2,000
	Sub Total	46,000
Short Term Investments		
ABERDEEN CITY COUNCIL	AA-	5,000
HELEBA	A+	10,000
LLOYDS BANK CORPORATE MARKETS	A+	10,000
AUSTRALIA AND NEW ZEALAND	A+	10,000
SANTANDER	A+	5,000
NATIONAL BANK CANADA	A+	10,000
NATWEST	A+	5,000
GOLDMAN SACHS	A+	5,000
BAYERISCHE LANDESBANKEN	A-	5,000
DORSET COUNCIL	AA-	5,000
LONDON BOROUGH OF WALTHAM FOREST	AA-	5,000
STIRLING COUNCIL	AA-	5,000
EAST DUNBARTONSHIRE COUNCIL	AA-	5,000
	Sub Total	85,000
	Total	131,000

Note: Local Authorities do not have a specific credit rating, the UK Government credit rating has been used

The Treasury Management Strategy, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. The lower an institution's creditworthiness the lower the maximum duration and level of deposit will be. These counterparties are chosen, by officers, using credit rating data supplied by the Council's treasury advisers (based on data from the three main credit rating agencies, overlaid by:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads (i.e. insurance policies) to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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 2023 that this was likely to crystallise.

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, £2.933m (£1.672m 2021/22) of the £4.613m (£2.619m 2021/22) balance is past its due date for payment.

Credit Risk - Debtors	31 st March	31 st March
	2022	2023
	£000	£000
Less than three months	442	501
Three to six months	156	316
Six months to one year	106	1,351
More than one year	968	765
	1,672	2,933

This analysis does not include all contractual debtors. The Council also has £13.521m owed by individuals in respect of outstanding residential and non-residential care charges (£14.651m in 2021/22). Of this debt £0.816m (2021/22 £0.975m) is considered as long term debt, as it is either secured by a charge on property or on deferred payment agreements.

Amounts Arising from Expected Credit Losses

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. During 2022/23 the impairment losses of £1.744m (£2.697m for 2021/22) recognised related only to receivables (debtors) and was calculated on a lifetime basis.

Refinancing and Maturity Risk

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.

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.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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;
- 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 Council has safeguards in place to ensure that no more than 10% of its borrowings mature for repayment in any one year to reduce the financial impact of reborrowing 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.

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 are 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 are 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.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 50% 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.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31st March 2023, 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 £1.782m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.782m.

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 have no exposure to loss arising from movements in exchange rates.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial assets investments sums owing (£85.625m) are due to be paid in less than one year.

The maturity of long and short term loans is as follows:

	31st March 2022	31st March 2023
Liquidity Risk	£000	£000
Less than one year	5,000	10,700
Between one and two years	10,700	14,500
Between two and five years	36,500	22,000
More Than 5 Years	17,500	25,000
More Than 10 years	316,996	309,380
	386,696	381,580

	31st March 2022	31st March 2023
Balance Sheet	£000	£000
Short Term Borrowings	5,000	10,700
Long term Borrowings	381,696	370,880
	386,696	381,580

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Lender	31st March	31st March
	2022	2023
	£000	£000
Public Works Loans Board	362,200	357,200
Market Debt	24,398	24,380
Other	97	0
	386,696	381,580

In the more than 10 years category there are £24m of Lender Options Borrower Option (LOBOs) market loans which have a call date in the next 12 months. The LOBOs are unlikely to be called.

Note 28 - Cash and Cash Equivalents

The balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £20.609m (2021/22 £8.066m) in hand and are included as cash and cash equivalents in Current Assets. Short term deposits totalling £46.114m (2021/22 £77.429m) 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.

31st March		31st March
2022		2023
£000		£000
8,066	Cash and Bank balances	20,609
77,429	Short Term Investments	46,114
85,495	Total Cash and Cash Equivalents	66,723

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 29 – Short Term Creditors

An analysis of sums owed by the Council as at 31st March is:

31st March 2022 £000		31st March 2023 £000
(13,379)	Employee Leave Accrual	(12,771)
(1,961)	Short term PFI Loans	(2,622)
(10,356)	Owed to Accountable Bodies	(10,264)
(6,971)	Accounts Payable Control	(6,546)
(5,165)	Accruals	(818)
(9,404)	Capital Payables	(10,131)
(25,726)	Other Payables	(35,427)
(72,962)	Sub Total	(78,579)
(16,645)	Central Government Bodies	(13,294)
(14,358)	Other Local Authorities	(13,655)
(3,590)	NHS Bodies	(2,391)
(62)	Public Corporations and Trading Funds	0
(5,956)	Local Taxation (council tax and non-domestic rates)	(6,070)
(113,574)	Total Creditors	(113,989)

Note 30 - Provisions

Current Provisions

2022/23	Insurance - Motor and Fire £000	MMI Provision £000	Voluntary Redundancies £000	Other Provisions £000	Total £000
Opening Balance	(88)	(33)	0	(2,522)	(2,642)
Increase in provision during year	(20)	0	(368)	(1,248)	(1,636)
Utilised during year	0	23	0	263	286
Closing Balance	(108)	(10)	(368)	(3,507)	(3,992)

2021/22	Insurance - Motor and Fire £000	MMI Provision £000	Voluntary Redundancies & Ill Health Provisions £000	Other Provisions £000	Total £000
Opening Balance	(302)	(18)	(304)	(3,606)	(4,230)
Increase in provision during year	0	(15)	0	(283)	(299)
Utilised during year	214	0	304	1,368	1,886
Closing Balance	(88)	(33)	0	(2,522)	(2,642)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Long Term Provisions

	Insurance - employers and public liability	Business Rates Appeals	Total
2022/23	£000	£000	£000
Opening Balance	(4,907)	(1,006)	(5,913)
Increase in provision during year	(296)	(802)	(1,098)
Utilised during year	0	1,006	1,006
Closing Balance	(5,203)	(802)	(6,005)

	Insurance - employers and public liability	Business Rates Appeals	Total
2021/22	£000	£000	£000
Opening Balance	(8,455)	(1,870)	(10,325)
Increase in provision during year	0	(1,006)	(1,006)
Utilised during year	3,549	1,870	5,418
Closing Balance	(4,907)	(1,006)	(5,913)

31st March 2022 £000	Total Provisions	31st March 2023 £000
(14,555)	Opening Balance	(8,555)
(1,305)	Increase in provision during year	(2,734)
7,304	Utilised during year	1,292
(8,555)	Closing Balance	(9,997)

Insurance Provision

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 separated into two elements – a provision and a reserve. The insurance provision (£5.203m for employers and public liability and £0.107m for motor and fire) represents the sum estimated to meet claims identified and also claims incurred but not reported at 31st March 2023. The estimate is based on the advice of consulting actuaries ‘Gallaghers’. The balance of funding is held in an insurance reserve (£14.885m note 32) to support the ongoing self insurance programme for the period to 31st March 2023.

Municipal Mutual Insurance (MMI)

Municipal Mutual Insurance Ltd (MMI) were the Council’s insurer from 1974 until the early 1990’s. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including the Council. Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against its former policy with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. There is a risk that the Council could be liable for more than 25% of claims and the Council has previously accounted in its reserves based on 85%.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

In January 2020, the Council received a report from Gallagher Insurance Brokers Ltd (the administrators for MMI) noting that they do not expect the Council's liability to be any more than 50% of all claims. The provision at 31st March 2023 is £0.010m.

No formal updates have been provided to the potential liabilities arising from MMI however Gallaghers (in its role as the Council's insurance broker) has recommended that the Council include a reserve to account for a potential 10% additional cost associated with MMI (i.e. bringing the levy up from 25% to 35%). The Council's reserves already allow for a potential levy of 50% (i.e. existing 25% levy plus a further reserve of 25%) and consequently no amendment has been made to the Council's approach for MMI in 2022/23.

Other Provisions

The Council is required to make provisions for any contractual issues that it is aware of at the Balance Sheet date that may result in additional costs being incurred. However, at this there are still uncertainties about the timing and or the amount. The other provisions relate mainly to these areas of contractual issues.

Business Rates

Since the introduction of Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2023. The provision is based on lodged appeals only. The Council's provision for the Business Rates appeals is a 10% share of the provision calculated by each of the six District Councils in Cumbria. The provision as at 31st March 2023 is £0.802m (31st March 2022 £1.006m).

Note 31 - Usable Reserves

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

31 st March 2022		31 st March 2023
£000	Usable Reserves	£000
(25,056)	General Fund Balance	(29,491)
(150,260)	Earmarked Reserves	(102,638)
(175,316)	Total Statutory General Fund	(132,128)
(5,579)	Capital Receipts Reserve	(13,111)
(3,906)	Capital Grants Unapplied	(2,743)
(184,801)	Total Usable Reserves	(147,982)

General Fund Balance

The General Fund Balance at the 1st April 2022 was £25.056m. Given the continuing levels of inflationary pressures General Fund Reserves need to be robust. It is prudent and appropriate to retain General Reserves where possible, to be able to effectively respond to unanticipated pressures and this period of sustained uncertainty.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Earmarked Reserves

The details of earmarked reserves and the movements thereon are set out in Note 32 Transfers to / from Earmarked Reserves.

Capital Receipts Reserve

Receipts from the sale of assets are credited here and used to fund capital expenditure or repay debt. The balance on the reserve is the unused capital receipts at the end of the year.

31st March 2022 £000	Capital Receipts Reserve	31st March 2023 £000
(5,179)	Balance 1 st April	(5,579)
(830)	Capital Receipts in year	(7,532)
430	Capital Receipts used for financing	0
(5,579)	Balance 31st March	(13,111)

Capital Grants Unapplied

Capital grants and contributions received in year where there are no conditions (no requirement to repay the grant), are recorded as income in the Comprehensive Income & Expenditure Statement, regardless of the year to which they relate. They are then transferred to the Capital Grants and Contributions Unapplied Reserve via the Movement in Reserves Statement.

31st March 2022 £000	Capital Grants Unapplied	31st March 2023 £000
(3,173)	Balance 1 st April	(3,907)
(2,187)	Capital grants recognised in year	(2,788)
1,454	Capital grants utilised in financing	3,951
(3,907)	Balance 31st March	(2,743)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 32 - Transfers to/from Earmarked Reserves

This note sets out the amounts transferred to and from earmarked reserves to provide financing for in year and future expenditure plans.

	Balance at 1 st April 2021	Tfrs Between Reserves 2021/22	Tfr In 2021/22	Tfr Out 2021/22	Balance at 31 st March 2022	Tfrs Between Reserves 2022/23	Tfr In 2022/23	Tfr Out 2022/23	Balance at 31 st March 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
DSG Funded Reserves									
Schools ring fenced Reserves	(8,476)	0	(3,552)	0	(12,028)	0	0	4,041	(7,988)
Sub Total DSG Funded Reserves	(8,476)	0	(3,552)	0	(12,028)	0	0	4,041	(7,988)
Ring Fenced Earmarked Reserves:									
Revenue Grants Reserves	(52,821)	0	(25,026)	30,184	(47,663)	2,458	(4,889)	16,453	(33,638)
Revenue Reserve for Capital Purposes	(1,546)	0	(910)	0	(2,456)	0	(3,619)	0	(6,075)
Long Term Investment Reserve	(2,813)	0	0	307	(2,506)	0	0	1,479	(1,027)
Insurance Reserve	(9,851)	0	(5,034)	0	(14,885)	0	0	0	(14,885)
Sub Total Ring Fenced Earmarked Reserves	(67,031)	0	(30,970)	30,491	(67,510)	2,458	(8,508)	17,932	(55,625)
Elections Reserve	(790)	1,020	(230)	0	0	0	(230)	230	0
Innovation & Transformation Fund	(5,674)	5,324	(2,500)	1,566	(1,284)	0	0	1,200	(84)
Financial Volatility Reserve	(15,960)	0	(3,497)	288	(19,169)	(2,834)	(1,985)	10,678	(13,310)
Strengthening Short Term Capacity Reserve	(3,060)	(594)	(580)	1,711	(2,523)	0	0	2,474	(49)
Inflation Risk Reserve	0	0	(5,054)	0	(5,054)	0	0	5,054	0
Local Government Reorganisation Implementation Reserve	0	(5,750)	(11,786)	0	(17,536)	0	0	14,351	(3,185)
Other Services	(4,092)	0	(990)	410	(4,672)	0	(3,574)	4,167	(4,079)
Sub Total Centrally Held Earmarked Reserves	(29,576)	0	(24,637)	3,975	(50,238)	(2,834)	(5,789)	38,154	(20,707)
Modernisation (Cost of Change) Reserve	(4,867)	0	0	1,070	(3,797)	0	0	877	(2,920)
Directorate Reserves									
People	(895)	704	(593)	14	(770)	0	(65)	339	(496)
Corporate, Customer & Community	(1,678)	(704)	(2,622)	157	(4,847)	0	0	2,960	(1,887)
Economy & Infrastructure	(2,991)	0	(7,612)	879	(9,724)	376	(5,193)	2,034	(12,507)
Local Committees	(913)	0	(1,348)	913	(1,348)	0	0	841	(507)
Sub Total Directorate Earmarked Reserves	(6,477)	0	(12,175)	1,963	(16,689)	376	(5,258)	6,174	(15,397)
Sub Total Council Reserves	(107,951)	0	(67,782)	37,499	(138,234)	0	(19,555)	63,137	(94,649)
Total General Fund Earmarked Reserves	(116,427)	0	(71,334)	37,499	(150,260)	0	(19,555)	67,178	(102,638)
Net Transfer (to) / from Earmarked Reserves			(33,835)				47,623		

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

DSG Funded Reserves

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.

There has been a decrease of nine in the overall number of schools as a result of the following:

- nine Schools converted to Academy status during the year, further details are in Note 11.

As at 31st March 2022 the net surplus balance on maintained schools was (£12.028m), there has been a net decrease during 2022/23 of £4.041m. The table below shows a breakdown of these figures separately by surpluses and deficits excluding academies irrespective of whether the asset is on the Council's Balance Sheet or not.

Schools Earmarked Reserves	31st March 2022		31st March 2023	
	No.	£000	No.	£000
Schools in surplus	209	(16,554)	195	(13,412)
Schools in deficit	38	4,526	42	5,424
	247	(12,028)	237	(7,988)

Nine schools (three in deficit and six in surplus) converted to academy status during the year, their opening balances totalling £0.526m surplus. There was one school closure in year. Of the remaining schools, there was an overall decrease in balances of £3.515m. The number of schools in surplus has reduced from 203 to 195 and the surpluses have increased by £2.454m in year. The number of schools in deficit has increased from 34 to 42 with the net value of deficits increasing by £1.061m.

The total funding available for those schools that were maintained as at 31st March 2022 and 31st March 2023 was £258.567m representing an increase of £17.272m compared to 2021/22. This increase comprised of national funding formula inflationary and other formula factor increases totalling £5.966m, the new school supplement grant of £5.320m, Homes for Ukraine funding of £0.698m, additional High Needs funding totalling £3.539m, early years free entitlement funding of £0.966m, pupil premium £0.567m, sixth forum funding of £0.352m, school improvement funding of £0.441m, and other non-material increases in funding totalling £0.063m. This was offset by a decrease in COVID19 grants of (£0.640m).

Total net expenditure was £262.055m against a budget of £258.567m giving an in-year deficit of **£3.488m**. However, whilst total net expenditure increased by £24.514m compared to 2021/22 £16.417m related to increased staff costs partly explained by the teacher pay award of +5% and the flat £1,925 pa increase for the non-teaching staff pay award. Premises costs increased by £6.914m of which £4.713m related to increased energy costs due to the energy crisis. Supplies and services costs increased by £5.307m mainly due to increases in educational resources, catering costs due to food inflation and bought-in professional services. Transport costs

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

£0.727m and Capital Expenditure from Revenue £0.174m have also increased whilst income (£2.195m) has increased due to increased meals income, contributions towards school trips following a return to normal activity post Covid restrictions and donations. School grants (£2.830m) also increased, mainly relating to a one-off Council grant for food poverty and the English Hub Programme funding.

Dedicated Schools Grant (DSG) Reserve

The deficit brought forward at 1st April 2022 was £14.692m, the in year deficit for 2022/23 is £6.339m. The DSG Adjustment Account is detailed in Note 33 Unusable Reserves.

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 on the Revenue Grants Reserves at 31st March 2023 is £33.638m (£47.663m 2021/22), which includes £23.783m of PFI grant and contributions to support the Carlisle Northern Development Route and replacement fire stations project.

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 separated into two elements – a provision and a reserve. The insurance provision £5.311m (long term £5.203m and short term £0.108m note 30) represents the sum estimated to meet claims identified at 31st March 2023. The estimate is based on the advice of consulting actuaries ‘Gallaghers’.

The balance of funding is held in an insurance reserve to support the ongoing self-insurance programme. As at 31st March 2023 the reserve is £14.885m.

Financial Volatility Reserve

The Financial Volatility reserve was created in 2020/21 to provide robustness to the financial sustainability of the Council, given the uncertainty relating to the ongoing financial impact of COVID-19 beyond that year. The total reserve at 31st March 2023 was £13.310m.

Inflation Risk reserve

As part of the 2021/22 outturn report Cabinet agreed to transfer a total of £5.054m to an Inflation Risk Reserve. The Office for Budget Responsibility forecast that inflation would peak in 2022/23 at 10% before falling to 4% in 2023/24 and back to the target 2% by 2024/25. The reserve was fully utilised in 2022/23 to contribute to the cost of the 2022/23 pay award and directorate inflationary pressures.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Cost of Living Reserve

As part of the 2021/22 outturn report Cabinet agreed to transfer £2.000m to a Cost of Living Reserve. The UK is experiencing a significant cost of living crisis in which households are facing the simultaneous impact of tax increases, rising interest rates and inflation outpacing rises in income (including wages, pensions, working age benefits). The increase in food prices and utilities bills will disproportionately impact on lower income households as food and energy makes up a higher proportion of their total household expenditure. Likewise lower income households in rural areas will be particularly hit by the cost of petrol and oil for home heating fuel. The reserve was utilised in 2022/23 to fund Ways to Welfare, Citizens Advice Bureau, free school meals, school clothing grants. There is a balance of £0.308m remaining at 31st March 2023.

Local Government Reorganisation Implementation Reserve

On 1st March 2022 a single Local Government Reorganisation (LGR) Implementation Reserve was created which is hosted by the County Council and was jointly funded by the County Council and 6 Cumbrian Districts Councils. The purpose of the Reserve is to fund the implementation of the LGR Programme to ensure that the two new unitary authorities and Cumbria Fire and Rescue Service can provide safe and legal services from 1st April 2023. The total reserve was £18.920m and spend in 2021/22 and 2022/23 totalled £15.735m to give a balance of £3.185m as at 31st March 2023.

Directorates

The Council has a long established practice of allowing 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. The total Directorate Reserves at 31st March 2023 is £15.397m.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 33 - Unusable Reserves

Unusable Reserves are summarised on the Balance Sheet. The details of each unusable reserve are set out in the notes below.

31st March 2022 £000		31st March 2023 £000
(136,904)	Revaluation Reserve	(160,270)
(612,177)	Capital Adjustment Account	(614,693)
399	Financial Instruments Adjustment Account	380
868,422	Pension Reserve	264,366
14,692	DSG Adjustment account	21,031
7,147	Collection Fund Adjustment Account	2,822
13,128	Accumulated Absences Account	12,495
154,707	Total	(473,869)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority 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.

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 on the Capital Adjustment Account.

31st March 2022 £000	Revaluation Reserve	31st March 2023 £000
(146,744)	Balance 1 st April	(136,904)
(13,439)	Upward revaluation of assets	(46,636)
17,297	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	14,992
3,857	(Surplus) or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(31,644)
3,473	Difference between fair value depreciation and historical cost depreciation	3,159
2,510	Accumulated gains on assets sold or scrapped	5,119
5,982	Amount written off to the Capital Adjustment Account	8,278
(136,904)	Balance 31st March	(160,270)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs. 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.

31st March 2022 £000	Capital Adjustment Account	31st March 2023 £000
(630,156)	Balance 1 st April	(612,177)
94,669	Charges for depreciation and impairment of non-current assets	72,639
8,432	Revaluation losses on non-current assets	8,413
35	Amortisation of intangible assets	35
6,839	Revenue expenditure funded from capital under statute	8,840
4,968	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	18,306
114,943	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	108,233
(5,982)	Adjusting Amounts written out of the Revaluation Reserve	(8,278)
108,960	Net written out amount of the cost of non-current assets consumed in the year	99,955
(429)	Use of Capital Receipts Reserve to finance new capital expenditure	0
(71,948)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(82,270)
(1,454)	Application of Capital Grants and Contributions from the Capital Grants Unapplied Account	(2,372)
(14,478)	Statutory provision for the financing of capital investment charged against the General Fund	(15,501)
(1,528)	Capital expenditure charged against the General Fund	(2,854)
(89,838)	Capital financing applied in year:	(102,997)
(1,143)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	525
(612,177)	Balance 31st March	(614,693)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment 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 benefiting from gains per statutory provisions.

31st March 2022	31st March 2023
£000 Financial Instruments Adjustment Account	£000
416 Balance 1 st April	399
(17) Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(19)
(17) Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(19)
399 Balance 31st March	380

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 in 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.

31st March 2022		31st March 2023
£000	Pension Reserve	£000
991,888	Balance at 1 st April	868,422
(175,409)	Remeasurements of the net defined benefit (liability)/asset	(669,186)
100,742	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	116,155
(48,799)	Employer's pensions contributions and direct payments to pensioners payable in the year	(51,025)
868,422	Balance 31st March	264,366

The Council has made a lump sum prepayment of £7.609m for three years from 1st April 2020. This prepayment must be accounted for in the relevant financial year as per the actuarial certificate and not in the year the cash is paid. When the cash is paid, in this case 2020/21, the prepayment is charged against the Net Pension Liability to

CUMBRIA COUNTY COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

reflect that it is paying down that liability. This timing difference relates to the timing of the charge to General Fund Balance. This leads to an imbalance between the Net Pension Liability and the Pension Reserve in years one and two of the prepayment, in year three they are then in balance again.

Dedicated Schools Grant Adjustment Account

Regulations effective from 1st April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority has a deficit on its Schools Budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account, but instead record any such deficit in a separate account. The Dedicated Schools Grant Adjustment Account has been created for that purpose and the in-year deficit for 2020/21 and cumulative deficit brought forward as at 1st April 2020 have been transferred into that account. This has been extended for a further three years through to 31st March 2026.

As at 1st April 2022 the Dedicated Schools Grant (DSG) had an accumulated deficit of £14.692m excluding balances held within individual schools. As at 31st March 2023 the deficit is £21.031m, an increase of £6.339m since 2021/22.

31st March 2022 £000	DSG Adjustment account	31st March 2023 £000
9,641	Balance 1 st April	14,692
5,051	In Year Deficit on DSG	6,339
14,692	Balance 31st March	21,031

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Collection Fund Adjustment Account

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

The amounts paid to the General Fund are fixed on the basis of forecast income as at the start of the financial year. Neither the timing nor the amount of these payments can be revised within the year. If there is under- or over-collection of local taxes in a given year against the forecast income, this difference is realised in councils' general funds in the following financial year as a surplus/deficit on the Collection Fund. Until then it is held in the Collection Fund Adjustment Account.

The balance of £2.822m comprises £1.041m deficit from Council Tax and £1.782m from Business Rates.

31st March 2022		31st March 2023
£000	Collection Fund Adjustment Account	£000
12,974	Balance 1 st April	7,147
(5,827)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,325)
7,147	Balance 31st March	2,822

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.

31st March 2022		31st March 2023
£000	Accumulated Absences Account	£000
14,119	Balance 1 st April	13,128
(14,119)	Settlement or cancellation of accrual made at the end of the preceding year	(13,128)
13,128	Amounts accrued at the end of the current year	12,495
(991)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(633)
13,128	Balance 31st March	12,495

Note 34 - 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 Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2022/23, the Council paid £24.497m (2021/22 £24.391m) to Teachers' Pensions Scheme in respect of teachers' retirement benefits. The employer contribution rate is 23.68%.

Although the Scheme is a defined benefit scheme, the arrangements for the scheme mean that the liabilities for these benefits cannot be identified to the Council, therefore for the purposes of this Statement of Accounts; it is accounted for on the same basis as a defined contribution scheme.

NHS Staff Pension Scheme

Council staff who transferred from the NHS have maintained their membership in the NHS Pension Scheme. In 2022/23, the Council paid £0.052m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 15.68% of pensionable pay. The figures for 2021/22 were £0.052m.

Nature of Funds

Both Schemes target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2015 and on revalued average salary (a "career average" scheme) for service from 1st April 2015 onwards.

Governance

These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the Council.

Funding the liabilities

Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 5 years, measured on the actuarial assumptions used for IAS19 purposes. The duration profile for all schemes used to determine the assumptions is "mature - retiree".

Investment Risks

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the Council's contributions to them.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis on page 153 and 154 indicates the change in the defined benefit obligation for changes in the key assumptions. 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 35. Additional and discretionary pensions paid to retired teachers by the Council totalled £2.530m in 2022/23 and £2.644m 2021/22.

Note 35 - Defined Benefit Pension Scheme

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 payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Firefighters Pension Scheme

The Fire and Rescue Service has four pension schemes (1992, 2006, the modified and the 2015 schemes). The table below sets out the contributions received from both employees and employers and the Benefits paid.

During 2014/15 an additional Firefighters Pension scheme was introduced for retained firefighters employed between 1st July 2000 and 5th April 2006 who, at that time, didn't have access to a Pension Scheme. This is known as the modified scheme.

	1992		2006		Modified		2015		Total	
	2021/22 £000	2022/23 £000								
Contributions Receivable										
Employers Contributions	(233)	0	(11)	0	(57)	0	(2,785)	(3,135)	(3,085)	(3,135)
Employees Contributions	(95)	0	(6)	0	(71)	(43)	(1,233)	(1,397)	(1,405)	(1,440)
Total Income	(328)	0	(17)	0	(128)	(43)	(4,017)	(4,533)	(4,490)	(4,575)
Benefits Payable										
Pensions Paid	5,613	6,024	33	34	109	129	3	15	5,759	6,202
Ill Health and Injury	1,239	1,254	8	9	3	4	17	18	1,268	1,284
Lump Sums	1,980	1,165	0	2	51	70	11	31	2,042	1,267
Lump Sum Death Benefits & Widows Pensions	534	540	0	0	3	3	5	5	543	549
Total Expenditure	9,367	8,983	42	45	167	206	36	68	9,612	9,302
Contribution Rates										
Employers	37.3%	37.3%	27.4%	27.4%	37.3%	37.3%	28.8%	28.8%		
Employees - range depending on pensionable pay	11% - 17.0%	11% - 17.0%	8.5% - 12.5%	8.5% - 12.5%	11% - 17.0%	11% - 17.0%	11.0% - 14.5%	11.0% - 14.5%		

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Nature of Funds

The Schemes target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a “final salary” scheme) for service up to 31st March 2015 and on revalued average salary (a “career average” scheme) for service from 1st April 2015 onwards – the 2015 scheme.

Governance

These arrangements are managed by the Council, although this essentially involves administering the plan, including managing its cash flows.

Funding the liabilities

Given that the arrangements are unfunded, meaning that there are no investment assets built up to meet the pension liabilities the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by central government via a top up grant to meet the gap between pensions paid and contributions from employees and employers collected. The weighted average duration of the liabilities ranges from 18 years for the 1992 scheme to 38 years for the 2015 scheme, it is measured on the actuarial assumptions used for IAS19 purposes. The duration profile for all schemes used to determine the assumptions is “very mature”.

Investment Risks

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the Council’s contributions to them.

Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

Employment Tribunal - McCloud / Sargeant

The decisions of the Court of Appeal in the McCloud / Sargeant cases has ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constitute unlawful age discrimination. The Government has accepted that remedies relating to this judgement are needed and issued a consultation was published in July 2020 to address the discrimination in the unfunded public service pension schemes, including the Teachers and Firefighters’ pension schemes. Further consultations on remedies have been issued in 2023.

At this stage the extent of any issue for the Firefighters Pension scheme is not clear, but the Council’s Actuary, Mercers, have calculated the approximate effects of the costs if the transitional protections need to be extended to younger members and this has been incorporated into the net pension liabilities on the Council’s Balance Sheet.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgement will be measured through the pension valuation process, which determines

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

employer and employee contribution rates. The contribution rates are unchanged for 2023/24.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Local Government Pension Scheme (LGPS)

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 payment for those benefits and to disclose them at the time that employees earn their future entitlement.

The majority of the Council's staff belong to the Cumbria Local Government Pension Scheme (CLGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated (based on the 2019 valuation) at a level intended to balance the pensions liabilities with investment assets by 2032.

Early payment of 3 years LGPS deficit lump sum in April 2020

Every three years the pension scheme undertakes a valuation process which establishes each employer's funding position, i.e. the assets and liabilities within the Fund attributable to each employer. Where an employer is calculated to be in deficit (i.e. fund liabilities exceed assets) the Fund's actuary calculates the period over which this should be repaid and the amount deficit that is payable over the next three years (until the next valuation). At the time of calculating the deficit lump sum amounts (as part of the 2019 valuation) the Council had a total deficit value of £30.3m (£126.3m at the 2016 valuation), with a plan to recover the deficit by 2032. Paying the deficit recovery lump sum for the period 2020-2023 in full in April 2020 has enabled the Council to use its cash balances to avoid compensating the Fund for lost investment opportunities. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

The value of the benefit from this lump sum early repayment is significant because the pension fund return on its investments is much greater than the returns the Council can make on its deposits. For Council treasury monies, as dictated by the Prudential Code, the primary driver is capital preservation while for the Pension Fund, which has a much longer time horizon and therefore relatively higher risk tolerance, the drivers are financial return and diversification. In addition, by making the early repayment, this reduces the balance of Council's short-term cash deposits, for which there remains counter party (lending) risk.

The contribution rates are based upon a triennial actuarial review of the Fund. As part of the 2019 valuation the actuary calculated the rates required to be paid by the

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Council, as an employer within the Fund, for both the current service cost and the past service cost to eliminate the deficit by 2032.

- Current service cost – 18.4% of pensionable pay.
- Past service cost – a lump sum prepayment of £7.609m for the three years from 1st April 2020 to 31st March 2023.

The total of employer's contributions to the scheme is:

2021/22		2022/23
£000	Employers Pension Contributions	£000
34,181	18.4% of pensionable pay	38,112
2,536	Annual element of 3 year lump sum prepayment	2,506
1,726	Actuarial strain costs	491
1,826	Benefits recharged	1,787
40,269	Total	42,896

Nature of LGPS Scheme

The LGPS is a funded defined benefit final salary scheme. The value of an individual's pension benefits depends on how long they are an active member of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards.

Governance

Management of the Scheme is vested in Cumbria County Council as Administering Authority of the Scheme. Cumbria County Council has appointed a Pensions Committee (comprised of eight County Councillors, one District Councillor and two non-voting employee representatives) to manage the Scheme.

Additionally, the Cumbria Local Pension Board is responsible for assisting the Council is securing compliance with regulations, legislation and the requirements of the Pensions Regulator to ensure the effective and efficient governance and administration of the Cumbria LGPS. The Board is comprised of three employer representatives (one for the County Council, one for District Councils and one for other employers in the Fund) and three scheme member representatives (representing active, deferred and pensioner members of the Fund).

Advice is given by Cumbria County Council's Director of Finance (s.151 Officer), the Council's finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme.

Funding the liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions required from each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

A valuation was undertaken as at 31st March 2019 with the resultant contribution rates for employers being effective from 1st April 2020 to 31st March 2023. This has valued the shortfall of assets against liabilities for the Fund as being £30.3m as at 31st March 2019, equivalent to a funding level of 98%. The Council's Pensions Committee set the parameters for this valuation in September 2019 which included eliminating the deficit by 2032.

The latest triennial valuation of the Fund took place in 2022/23 with the resultant employers contribution rates being effective from 1st April 2023 for the new unitary authorities. The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31st March 2022 to determine the contribution rates with effect from 1st April 2023 to 31st March 2026. On the basis of the assumptions adopted, the Fund's assets of £3,318m represented 110% of the Fund's past service liabilities.

The weighted average duration of the authority's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes. The duration profile used to determine the assumptions is "very mature".

Risks and Investment strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. accrued benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term. To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. Mitigation against market risk is also achieved by diversifying across multiple investment managers and regularly reviewing the Investment Strategy and performance of the Fund.

Interest Rate Risk

The Fund 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 risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Foreign exchange risk

The Fund 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. To reduce the volatility from foreign currency exposure, until February 2022, Cumbria LGPS had a passive currency overlay programme with 50% of its public equity investments denominated in overseas

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

currencies hedged into sterling. The purpose was to reduce the Fund's exposure to the day to day fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This was carried out using derivatives called forward foreign exchange contracts.

The Fund's passive currency overlay programme on its public equity investments was reduced to nil by July 2022 and instead the Fund will seek to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding the majority of its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes, and maintaining an unhedged public equity exposure (to provide diversification during extreme markets movement).

Credit / Counterparty risk

Credit risk is the risk that a counterparty to a transaction or a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Fund to incur financial loss. 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. Through review of the Fund's external Investment Managers annual internal control reports the Fund monitors its exposure to credit and counterparty risk.

Liquidity risks

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered. The Fund holds a large value of very liquid securities which could be promptly realised if required.

Other risks

Actions taken by the Government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. The sensitivity to changes in these assumptions is set out on pages 153 and 154. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

Employment Tribunal - McCloud / Sargeant

The decisions of the Court of Appeal in the McCloud / Sargeant cases has ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constitute unlawful age discrimination. The Government has accepted that remedies relating to this judgement are needed and issued a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31st March 2022.

The Council's Actuary, Mercer Ltd, have calculated some approximate effects of the costs of extending the transitional protections to younger members. The costings of the potential effect of McCloud at 31st March 2023, based on individual member data

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

as at 2022 actuarial valuation and the results of those calculations based on the IAS19 assumptions have been included in the net pension liabilities on the Council's Balance Sheet. The costings reflect in broad terms the cost of applying a "final salary underpin" to those active members who joined the LGPS before 12th April 2012 and who would not otherwise have benefited from the underpin.

Amendments, curtailments and settlements

The provisions of the Fund were amended with effect from 1st April 2014. As explained above for service up to 31st March 2014 benefits were based on salaries when members leave the Fund, whereas for service after that date benefits are based on career average salary. Further details are available from the Fund's administering authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the transfer of employees out of the Fund (e.g. new academies), and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

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.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The **current service cost** is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

The **past service costs** arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The **expected return on assets** is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

The most significant changes between 2021/22 and 2022/23 arise in the Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement. In 2021/22 the total re-measurement recognised in Other Comprehensive Income and Expenditure in the CIES was a net credit of £175.409m and in 2022/23 it is a net credit of £669.186m. This is a change of £493.777m.

These changes to the Council's net pensions liabilities arise because events have not coincided with assumptions made at the last actuarial valuation or because of updated assumptions. The current economic climate, financial assumptions, and in particular the effect of bond yields on the discount rate used by the Actuaries can also have a significant impact on the estimated net pension liabilities.

Bond yields are a fundamental building block in setting the discount rate applied to the estimated pension liabilities to reflect the 'time value of money' i.e. £1 now is worth more than £1 in the future (assuming no deflation in the future). The lower the discount rate the higher the pension liability. Due to the long timeframes involved in pensions liabilities (70 years plus), a small change in the discount rate can lead to large changes in the estimated promised retirement benefits. The discount rate at the start of the year was 2.8% and it had increased to 4.8% at the end of the year. A 0.5% increase in the discount rate results in a £136.931m decrease in the pension liability and vice versa. Further sensitivity analysis provided by the Actuary is in notes 35.4a, 35.4b and 35.4c.

Asset Ceiling

Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14.

At 31st March 2023 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil.

The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

35.2 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts recognised in the Balance Sheet arising from the Council's obligation in respect of its defined benefit schemes is as follows:

2021/22				2022/23			
LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total	LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total
£000	£000	£000	£000	£000	£000	£000	£000
(2,442,671)	(341,117)	(25,738)	(2,809,526)	(1,714,176)	(229,386)	(19,016)	(1,962,578)
1,943,610	0	0	1,943,610	1,843,732	0	0	1,843,732
(499,061)	(341,117)	(25,738)	(865,916)	129,556	(229,386)	(19,016)	(118,846)
0	0	0	0	(145,520)	0	0	(145,520)
(499,061)	(341,117)	(25,738)	(865,916)	(15,964)	(229,386)	(19,016)	(264,366)

35.2a Movement in the Value of Scheme Assets

2021/22				2022/23			
LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total	LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total
£000	£000	£000	£000	£000	£000	£000	£000
1,779,792	0	0	1,779,792	1,943,610	0	0	1,943,610
37,296	0	0	37,296	54,331	0	0	54,331
136,013	0	0	136,013	(146,611)	0	0	(146,611)
37,732	8,423	2,644	48,799	40,390	8,112	2,523	51,025
12,060	1,411	0	13,471	13,214	1,375	0	14,589
(52,088)	(9,834)	(2,644)	(64,566)	(53,826)	(9,487)	(2,523)	(65,836)
(1,486)	0	0	(1,486)	(1,657)	0	0	(1,657)
(5,709)	0	0	(5,709)	(5,719)	0	0	(5,719)
1,943,610	0	0	1,943,610	1,843,732	0	0	1,843,732

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

35.2b Movements in the Fair Value of Scheme Liabilities

2021/22				2022/23			
LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total	LGPS	Firefighters Pension Schemes	Teachers Pension Schemes	Total
£000	£000	£000	£000	£000	£000	£000	£000
(2,418,204)	(320,620)	(27,814)	(2,766,638)	(2,442,671)	(341,117)	(25,738)	(2,809,526)
(74,561)	(7,012)	0	(81,573)	(83,196)	(7,535)	0	(90,731)
(50,351)	(6,644)	(556)	(57,551)	(67,750)	(9,439)	(685)	(77,874)
(12,060)	(1,411)	0	(13,471)	(13,214)	(1,375)	0	(14,589)
Re-measurement gains and losses:							
(6,645)	(25,185)	(75)	(31,905)	(213,367)	(19,043)	(394)	(232,804)
18,880	7,677	(184)	26,373	56,822	1,900	1,288	60,010
41,381	3,300	247	44,928	991,536	138,585	3,990	1,134,111
(1,926)	(1,056)	0	(2,982)	(462)	(849)	0	(1,311)
(836)	0	0	(836)	(65)	0	0	(65)
52,088	9,834	2,644	64,566	53,826	9,487	2,523	65,836
12,099	0	0	12,099	6,871	0	0	6,871
(2,536)	0	0	(2,536)	(2,506)	0	0	(2,506)
(2,442,671)	(341,117)	(25,738)	(2,809,526)	(1,714,176)	(229,386)	(19,016)	(1,962,578)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

35.3 LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2021/22			2022/23			
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
52,477	0	52,477	Cash and Cash Equivalents	47,937	0	47,937
0	1,944	1,944	Net Current Assets	0	1,844	1,844
52,477	1,944	54,421	Cash and cash equivalents	47,937	1,844	49,781
Equity Instruments						
99,124	0	99,124	UK Equity Pooled	88,499	0	88,499
493,677	0	493,677	Global Equity Pooled	497,808	0	497,808
89,406	0	89,406	Overseas Equity Pooled	88,499	0	88,499
682,207	0	682,207	Subtotal Equity Instruments	674,806	0	674,806
Bonds						
0	328,470	328,470	UK Government Indexed Pool	0	258,122	258,122
0	328,470	328,470	Subtotal Bonds	0	258,122	258,122
Property						
0	122,447	122,447	UK Property	0	90,343	90,343
0	54,421	54,421	Property Funds	0	51,624	51,624
0	176,868	176,868	Subtotal Property	0	141,967	141,967
Other Investment Funds						
0	93,293	93,293	Private Debt Funds	0	127,218	127,218
0	118,560	118,560	Private Equity Funds	0	149,342	149,342
0	198,248	198,248	Infrastructure Funds	0	245,216	245,216
0	0	0	Real Estate Debt Funds	0	0	0
0	25,267	25,267	Healthcare Royalties	0	29,500	29,500
0	266,275	266,275	Multi Asset Credit	0	167,780	167,780
0	701,643	701,643	Subtotal Other Investment Funds	0	719,056	719,056
734,684	1,208,925	1,943,610	Total Assets	722,743	1,120,989	1,843,732

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

35.4 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. The liabilities for Local Government Pension Scheme, Firefighters' Pension Schemes and the Teachers Discretionary Benefits have been assessed by Mercer Ltd, an independent firm of actuaries. The estimates for the County Council being based on a roll forward from the last the full valuation of the schemes. For the LGPS this is 31st March 2022.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses have followed the Accounting Policies for the Scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

35.4a LGPS

The significant assumptions used by the actuary have been:

2021/22	2022/23
Mortality assumptions	
Longevity at retirement for current pensioners	
22.6 Men	21.9
25.3 Women	24.2
Longevity at retirement for future pensioners	
24.1 Men	23.3
27.1 Women	26.0
Other assumptions	
3.3%	2.7%
4.8%	4.2%
3.4%	2.8%
2.8%	4.8%

Impact of assumptions on the LGPS obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(34,865)	Longevity change by 1 year	34,865
(74,088)	Rate of inflation change by 0.25%	74,088
(9,184)	Rate of increase in salaries change by 0.25%	9,184
136,931	Rate for discounting scheme liabilities change by 0.5%	(136,931)
18,449	Investment returns change by 1%	(18,449)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

35.4b Firefighters Pension Scheme

The significant assumptions used by the actuary have been:

2021/22	Firefighters Pension Schemes	2022/23
Mortality assumptions		
Longevity at retirement for current pensioners		
26.1	Men	26.0
28.4	Women	28.2
Longevity at retirement for future pensioners		
28.4	Men	27.9
30.6	Women	30.1
Other assumptions		
3.3%	Rate of inflation	2.7%
4.8%	Rate of increase in salaries	4.2%
4.6%	Rate of revaluation of CARE pensions	4.0%
3.4%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.8%

Impact of assumptions on the Firefighters Pension Scheme obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(5,071)	Longevity change by 1 year	5,071
(9,508)	Rate of inflation change by 0.25%	9,508
(1,877)	Rate of increase in salaries change by 0.25%	1,877
17,189	Rate for discounting scheme liabilities change by 0.5%	(17,189)

35.4c Teachers Pension Scheme

The significant assumptions used by the actuary have been:

2021/22	Teachers Pension Schemes	2022/23
Mortality assumptions		
Longevity at retirement for current pensioners		
13.9	Men	13.9
16.0	Women	16.0
Other assumptions		
3.5%	Rate of inflation	3.5%
3.6%	Rate of increase in pensions	3.6%
2.8%	Rate for discounting scheme liabilities	2.8%

Impact of assumptions on the Teachers Pension obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(982)	Longevity change by 1 year	982
(261)	Rate of inflation change by 0.25%	261
504	Rate for discounting scheme liabilities change by 0.25%	(504)

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Impact on the Council's Cash Flows

One of the objectives of CLGPS is to keep employers' contributions at as constant a rate as possible. As part of the 2019 valuation the Fund agreed a strategy with the Fund's Actuary to achieve a funding level of 100% by adopting an average recovery period of 12 years from 1st April 2020. The resultant contribution rates from this valuation are effective from 1st April 2020 to 31st March 2023. Funding levels are monitored on an annual basis.

The pension contributions expected to be made by the Council in the year to 31st March 2024 are:

- Local Government Pension Scheme £40.726m.
- Teachers Discretionary Benefits Scheme £2.726m.
- Firefighters Pension Scheme £8.112m.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 36 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31st March 2022 £000		31st March 2023 £000
(287)	Interest received	(3,508)
29,454	Interest paid	29,466
29,167	Total	25,958

The (surplus) or deficit on the provision of services has been adjusted for the following non-cash movements:

31st March 2022 £000		31st March 2023 £000
(94,669)	Depreciation	(72,639)
(8,431)	Impairment and downward valuations	(8,413)
(35)	Amortisation	(35)
9,082	(Increase) in creditors	(6,803)
(5,691)	Increase in debtors	26,883
332	Increase/(decrease) in inventories	(200)
(54,479)	Movement in pension liability	(67,633)
(4,968)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(18,306)
7,110	Other non-cash movements charged to the surplus or deficit on provision of services	(1,900)
(151,749)	Total	(149,045)

The (surplus) or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31st March 2022 £000		31st March 2023 £000
829	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,532
74,135	Capital Grants	83,479
74,964	Total	91,011

Note 37 - Cash Flow from Investing Activities

31st March 2022 £000		31st March 2023 £000
81,805	Purchase of property, plant and equipment, investment property and intangible assets	99,488
215,000	Purchase of short-term and long-term investments	240,000
(829)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,532)
(148,000)	Proceeds from short-term and long-term investments	(295,000)
(79,765)	Capital Grants	(76,705)
68,211	Net cash flows from investing activities	(39,749)

Note 38 - Cash Flow from Financing Activities

31st March 2022 £000		31st March 2023 £000
1,568	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,859
541	Repayments of short-term and long-term borrowing	5,625
2,109	Net cash flows from financing activities	7,484

Note 39 - 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 Notes 5.2 and 5.3 on expenditure and income analysed by nature and by segment. Grant receipts in advance at 31st March 2023 are shown in Note 18.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2022/23 is shown in Note 13. 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. Contracts were entered into in full compliance with the Council's standing orders. During 2022/23 there were no significant amounts paid.

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 on each individual member's page.

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 Executive Directors, Assistant Directors, Senior Managers and those staff involved in procurement that may be in 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. Contracts were entered into in full compliance with the Council's standing orders. There were no material transactions during the year with companies that officers have an interest in and there were no balances outstanding at the year end.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Other Public Bodies

Pooled Funds

The Council has pooled budget arrangements with a number of organisations, the details of which are included in Note 12.

Border to Coast Pension Partnership Ltd (BCPP Ltd)

BCPP Ltd is the organisation set up to run pooled LGPS investments for 12 Pension Funds including Cumbria LGPS. The company is a private limited company limited by shares and its company number is 10795539. BCPP Ltd was incorporated in May 2017 and issued twelve £1 'A' Ordinary shares. The shares have full voting rights, dividend and capital distribution rights. Cumbria County Council as Administering Authority for the Cumbria Local Government Pension Scheme holds one £1 'A' Ordinary share capital. For Accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

NW Firecontrol Limited

NW Firecontrol Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The company registration number is 06314891. The Company has four members - Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (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. In 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Firecontrol Limited. The cost of the service is charged out to the four FRAs on an agreed pro rata basis set out in a Service Level Agreement.

An assessment for Group Accounting requirements has taken place during 2022/23 in respect of NW Firecontrol Limited. in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS10, 11 & 12).

It has been determined that the company is governed by Joint Control as unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement and as such group accounts are not required.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The table below shows key Information for NW Firecontrol Limited:

Accounts Information	Year-Ended 2021/22 £000	Year-Ended 2022/23 £000
Total Assets Less Current Liabilities	321	351
Net Liabilities	(4,864)	638
Deficit Before Taxation	(803)	(627)
Deficit After Taxation	(804)	(634)
Balance owed to CCC	0	0
Balance owed by CCC	0	2
Invoices Raised By NW Firecontrol Limited to CCC	564	454
Invoices Raised by CCC to NW Firecontrol Limited	0	0

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31st December 2023 for the final audited 2022/23 accounts.

Entities Controlled or Significantly Influenced by the Council

One of the Council's key strategic objectives is to promote thriving communities by championing local economies and creating the right opportunities and environment for investment. Council funds are rarely available for such ventures and the Council believes that supporting specific 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.

The Council has an investment valued at £3.183m representing a 100% shareholding in Cumbria County Holdings Ltd, 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, which requires the production of Group Accounts. Further details of the Group Accounts are in Section 7. Copies of the accounts can be obtained from The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST.

Cumbria County Holdings Ltd has two subsidiaries, Cumbria Waste Management Ltd (CWM) and Orian Solutions Ltd (Orian). These companies, in turn, have the following subsidiaries:

- CWM - Cumbria Waste Recycling Ltd, Trotters Dry Waste Ltd and Lakeland Waste Management Ltd.
- Orian - SLS (Cumbria) Ltd.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The results of each company are set out in the table below.

Company Name	Nature of Business	Shareholding %	2021/22 (Audited Accounts)		2022/23 (Audited Accounts)	
			Retained Profit / (Loss) for the year £000	Net Assets £000	Retained Profit / (Loss) for the year £000	Net Assets £000
Cumbria County Holdings Ltd (08259197)	Holding Co	100% owned by CCC	(2)	3,669	(3)	3,666
Cumbria Waste Management Ltd (02665973)	Waste disposal service	100% owned by CCHL	(3,304)	2,645	4,101	6,746
Cumbria Waste Recycling Ltd (03162439)	Waste disposal service	100% owned by CWM	1,065	6,754	1,238	6,992
Trotters Dry Waste Ltd (07614721)	Waste disposal service	100% owned by CWM	0	20	0	20
Lakeland Waste Management Ltd (02728867)	Waste disposal service	100% owned by CWM	(45)	1,049	18	1,067
Lakeland Minerals Ltd (04753755)	Waste disposal service	50% owned by LWM, joint venture	62	929	(9)	920
Orian Solutions Ltd (08237164)	Catering / Cleaning Services	100% owned by CCHL	1,458	4,397	2,780	7,177
SLS (Cumbria) Ltd (09957315)	Cleaning	100% owned by Orian	(17)	278	120	398

The Council's 2021/22 Statement of Accounts included the unaudited 2021/22 results for the Cumbria County Holdings group of companies, the above table has updated the 2021/22 figures to show the final audited position. In 2022/23 Cumbria County Holdings Ltd has paid no dividend to the Council (2021/22 nil).

The results in the previous table are then consolidated into the Cumbria County Holdings Ltd Group Accounts with all intra company transactions being eliminated on consolidation. The Cumbria County Holdings Group results are:

	2021/22 (Audited Accounts)		2022/23 (Audited Accounts)	
	Retained Profit / (Loss) after Tax £000	Net Assets / £000	Retained Profit / (Loss) after Tax £000	Net Assets / £000
Cumbria County Holdings Ltd Group	1,620	15,062	7,239	22,301

It is these group results that are consolidated with the Council's single entity Accounts with the outcome is reported in Section 7.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

The Council also has direct investments in other limited companies. Each year consideration is given to whether an entity should be included in the group accounts. On the basis of materiality it has been determined that the companies below should not be consolidated into the group accounts. Copies of the accounts can be obtained from the Director of Finance, Cumbria House, 117 Botchergate, Carlisle, Cumbria CA1 1RD.

Company Name	Nature of Business		Share holding %	2020/21		2021/22	
				Profit after Tax £000	Net Assets £000	Profit / (Loss) after Tax £000	Net Assets £000
Traveline Cumbria Ltd (Note 1)	Travel enquiry call centre	Company limited by guarantee	49%	5	75	(12)	63

Note 1 – The financial year end for Traveline Cumbria Ltd is 19th July. The majority shareholder is Stagecoach Ltd.

During 2022/23 the Council had the following transactions with the companies in which it has an interest.

Organisation	Payments to Companies £000	Creditor Outstanding £000	Income from Companies £000	Debtor Outstanding £000
Traveline Cumbria Ltd	0	0	0	0
Cumbria Waste Management Ltd	700	98	150	167
Lakeland Waste Management Ltd	50	5	0	0
Cumbria Waste Recycling Ltd	300	42	0	0
Orian Solutions Ltd	7300	654	20	9
SLS (Cumbria) Ltd	100	0	0	0
	8,450	799	170	176

Note 40 - Contingent Liabilities

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. Employers across Cumbria are either mandated or may be permitted to offer their employees membership of this pension scheme. Where an employer applies to join the Pension Scheme, the employer is required to secure a bond or guarantee acceptable to the Pension Scheme. This bond / guarantee would be required to meet their financial obligations to the Pension Scheme in the event of them being unable to do so.

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Where an employer is unable to meet their financial obligations to the Pension Scheme and this is not covered by a bond or guarantee, all other employers within the Pension Scheme (of which there are 125 at 31st March 2023) are jointly and severally liable for these liabilities. As the Council comprises of approximately 50% of the Pension Scheme, the Council would be liable for approximately 50% of any resulting liabilities.

Landfill Sites - Gas/Leachates

Note 2 - Critical Judgements in Applying Accounting Policies sets out the Council's approach to closed landfill sites. No provision has been made in the accounts for any legal liability that may arise as a result of gas and leachate from closed landfill sites, most of which, after restoration, have been either returned to the original owner or sold.

Background to the Sites

The Council has responsibility for 35 closed landfill sites (26 for non-inert waste and 9 for inert waste). The sites are spread throughout the County and are relatively small scale in nature. The 9 sites that have inert waste landfilled were closed between 1970 and 1995 and monitoring is subject to a schedule agreed with the Environment Agency. All the sites vary considerably in size and the nature of the waste landfilled. However all of the 26 sites that contain non inert waste were closed a number of years ago (between 18 and 40+ years ago). This means they predate current site engineering methods.

In addition, a review has found that there are another 34 closed landfill sites that the Council may be responsible for. These are sites that the Council does not own, was not previously aware of and historically have not been subject to monitoring. The Council is in the process of collating the information held on these sites with the aim of assessing the Council's liabilities. An interim report was produced in 2021/22. The sites were given Red, Amber and Green traffic light assessment, a Red site requires immediate consideration, an Amber site should be assessed in more detail in the near future and a green site is low risk and may require minimal further work. Following the assessment, no sites were considered Red, 17 were considered Amber and 17 Green. The new sites are small (generally less than 1 hectare) and were in operation between the 1930's and 1994 and so are similar in nature (if generally smaller) than the original identified sites. 4 of the sites were solely for inert waste. Although some further work on more detailed site assessment work was identified as being required, the identification of the new sites does not fundamentally alter the previous closed landfill site consideration.

The Council spends in the region of £0.400m per annum monitoring and routinely maintaining sites. The Council is in the process of undertaking a risk review of these closed landfill sites with the aim of assessing the Council's current and future liabilities.

Site Management

The Council has a planned monitoring regime with the work contracted to Enitial. Despite this, much of the work that is carried out by the Waste Management team is still reactive, adapting to conditions on the ground. Monitoring could for example, pick up a site with a leachate outbreak. This would be extremely difficult to predict and could occur at a site which had previously had no problems. The cost of any remedy would depend on the site, the problem that had occurred and the possible solutions

CUMBRIA COUNTY COUNCIL

SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

available to remedy the issue and could vary considerably. Therefore any future investment that may be required for the sites is unquantifiable, planned monitoring is about environmental protection on a risk assessed basis and is a revenue running cost and any unplanned maintenance is extremely difficult to predict.

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. The Cumbria County Holdings Ltd group has a provision for aftercare costs post closure of their own landfill sites, this currently stands at £18.003m (2021/22 £15.106m).

Municipal Mutual Insurance Ltd

Municipal Mutual Insurance Ltd (MMI) were the Council's insurer from 1974 until the early 1990's. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including the Council. Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against its former policy with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. There is a risk that the Council could be liable for more than 25% of claims and the Council has previously accounted in its reserves based on 85%.

In January 2020, the Council received a report from Gallagher Insurance Brokers Ltd (the administrators for MMI) noting that they do not expect the Council's liability to be any more than 50% of all claims. The provision at 31st March 2023 was £0.010m (31st March 2022 £0.033m).

No formal updates have been provided to the potential liabilities arising from MMI however Gallaghers (in its role as the Council's insurance broker) has recommended that the Council include a reserve to account for a potential 10% additional cost associated with MMI (i.e. bringing the levy up from 25% to 35%). The Council's reserves already allow for a potential levy of 50% (i.e. existing 25% levy plus a further reserve of 25%) and consequently no amendment has been made to the Council's approach for MMI in 2022/23.

Business Rates

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1st April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31st March 2023 has been assessed as £8.020m (2021/22 £10.06m), of which the Council share is £0.802m (2021/22 £1.006m). It is difficult to estimate the likelihood of businesses both submitting and being successful for an appeal that is yet to be made and therefore the Council has made no provision in its accounts for future appeals.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 41 - Trust Funds

The Council acts as trustee for a number of legacies by former inhabitants of Cumbria and is responsible for the administration. The funds are not owned by the Council and are used in accordance with the aims of the trusts. The Council also acts as the Accountable Body for a number of projects. The Trust Funds and Accountable Bodies are not included in either the Council's single entity or the group accounts as the Council acts as an agent for these transactions.

Holehird Trust

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. The various trust funds can be broadly categorised as follows:

2022/23

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Holehird Trust	(1,091)	430	1,368	3
Archives Trusts	(53)	0	696	0
Education Trusts	(18)	5	561	0
Social Services Trusts	0	2	4	0
Total	(1,162)	437	2,629	3

2021/22

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Holehird Trust	(91)	96	3,676	0
Archives Trusts	(19)	1	583	0
Education Trusts	(18)	7	535	0
Social Services Trusts	0	0	0	0
Total	(128)	104	4,794	0

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Note 42 - Accountable Body Funds

The Council is the Accountable Body for a number of projects; the largest are Copeland Community Fund and Growing Places Fund. The Accountable Body funds are not included in either the Council's single entity or the group accounts as the Council acts as an agent for these transactions.

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 Board of eight members, of which two are Cumbria County Council Councillors, two Copeland Borough Council Councillors, two independent members, one member from the NDA and one from the Low Level Waste Repository (LLWR). Disbursements from the Fund are considered and approved by the Board, in accordance with the unilateral undertaking entered into between the NDA, the County Council and Copeland Borough Council which was updated in July 2016. The Fund is to be spent on schemes and initiatives that are consistent with the NDA's Socio Impact Strategy including employment, education and skills and economic and social infrastructure.

The cash balance of the fund at 31st March 2023 is £8.895m. Income is received from the NDA each year to top up the fund, and from the Council in respect of interest due for funds invested. The table below shows a summary of the transactions for the past two years.

Balance at 1st April 2021 £000	2021/22 Receipts £000	2021/22 Payments £000	Balance at 31st March 2022 £000	2022/23 Receipts £000	2022/23 Payments £000	Balance at 31st March 2023 £000
(7,996)	(1,604)	1,027	(8,573)	(2,254)	1,932	(8,895)

Growing Places Fund

The Growing Places Fund was announced by government in November 2011. Renamed locally as the Cumbria Infrastructure Fund (CIF), the total allocation for Cumbria was £6.668m split between Capital £6.163m and Revenue £0.505m.

The CIF's original purpose was to help create jobs and homes in Cumbria, through support for infrastructure projects that unlock housing and workspace developments and for capital projects within businesses. The CIF is managed as a revolving fund and support to projects has primarily been in the form of loans, as a minimum providing a return of the funds invested and in most cases with interest added. There is obviously a level of risk associated with these returns, and in some cases, support has been in the form of non-repayable grants.

Cumbria LEP also approved the use of £0.436m from the CIF to cover an over-programming commitment on the Cumbria LEP Growth Deal programme. This has now been repaid.

Returns to the fund are recycled to support further developments.

CUMBRIA COUNTY COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

Cumbria County Council holds the funding as the Accountable Body for the CIF and the Cumbria LEP Board agree the fund priorities. As accountable body, Cumbria County Council enters into formal agreements with the applicants (and if required the relevant District Councils) before the CIF is invested to ensure that projects are delivered within the agreed timescales or against agreed milestones and loan funding is repaid.

In 2022, the Cumbria LEP agreed a re-purposing of two elements of CIF:

- £300k which had previously been ring-fenced to support costs associated with the development of capital projects was transferred to Cumbria LEP in September 2022 to support their revenue expenditure to deliver economic development and business support activities across Cumbria.
- £1.065m was approved for the 'Innovating for Success' Grant scheme, which will be managed and delivered by Cumbria LEP. This amount was transferred to Cumbria LEP for this purpose in 2022/23.

Currently there are 3 Small Business Development loans and 3 'Large' CIF projects in the repayment phase.

Income in 2022/23 relates to the interest (revenue) and principal (capital) repayments received during the year from loans.

The revenue carry forward from 2021/22 was £0.011m. In 2022/23 there is no expenditure and income of £0.008 from repayment of interest on loans, this has resulted in a carry forward in to 2023/24 of £0.019m. The capital carry forward from 2021/22 was £1.272m. In 2022/23 there has been expenditure is £1.284m and, income of £0.466m from the repayment of loans, this has resulted in a carry forward in to 2023/24 of £0.454m. The Cumbria LEP is considering the fund priorities going forward.

	Balance at 31st March 2021 £000	2021/22 Receipts £000	2021/22 Payments £000	Balance at 31st March 2022 £000	2022/23 Receipts £000	2022/23 Payments £000	Balance at 31st March 2023 £000
Revenue	(6)	(5)	0	(11)	(8)	0	(19)
Capital	(4,279)	(57)	3,064	(1,272)	(466)	1,284	(454)
Total	(4,285)	(62)	3,064	(1,283)	(474)	1,284	(473)

Cumbria Local Enterprise Partnership

The Council is also Accountable Body for the Cumbria Local Enterprise Partnership (CLEP). With effect from 1st April 2019 CLEP transferred from being an unincorporated body to an incorporated organisation which has the capacity, capability and commitment to effectively meet the requirements of the Accountable Body. Funds are received by the County Council and then paid to CLEP for them to pay for any expenditure.

In 2022/23 the County Council received £0.375m from BEIS for the CLEP function along with £0.055m for the Skills Advisory Council and £0.535m for Skills Bootcamp. These amounts were paid to the CLEP along with interest earned from the County Council. Funds were withheld to cover expenditure that the LEP had commissioned

CUMBRIA COUNTY COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

from the County Council such as Research & Intelligence work, IT costs and CCC staff time, this amounted to £0.150m.

Business Growth Hub

Income is in the form of a grant from BEIS to fund the co-ordination and running of the business support activities, the grant for 2022/23 amounted to £0.231m.

In addition to the traditional Growth Hub funding, government also made available funding for Peer Networks to support “action learning” between 12 cohorts of up to 10 local businesses, to share experience, analyse common issues and co-develop solutions this amounted to £0.103m.

These amounts were paid over to CLEP when the income was received. Income is in the form of a grant from BEIS to fund the co-ordination, running and delivery of the business support activities by the CLEP and known as The Business Hub. The Business Hub is delivered by a combination of sub-contracted delivery from a number of providers and in-house delivery by the CLEP.

Note 43 - Events After the Reporting Period

The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at 12th January 2024 in respect of the audited Statement of Accounts for 2022/23.

Accounting rules define two types of events after the reporting period:

- Adjusting events: provide evidence of conditions that existed at the Balance Sheet date and, where material, the financial statements and notes in the statement of accounts are required to be amended to reflect the impact of the events.
- Non adjusting events: which are indicative of conditions that arose after the Balance Sheet date but where there is no requirement for the financial statements and notes in the statement of accounts to be amended to reflect the events, but additional explanatory notes may need to be added.

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

Cumbria County Council ceased to exist on 31st March 2023 with Local Government Reorganisation taking place on 1st April 2023. The assets and liabilities of the Council have transferred to the new unitary authorities and the Fire, Police and Crime Commissioner. The assets and liabilities will be allocated in accordance with the s16 agreement, this work is still in progress so an estimate of the split cannot be made at this time. The services previously delivered by the Council have transferred to the successor authorities.

Cumberland Council and Westmorland and Furness Council have received equal pay claims relating to their predecessor authority – Cumbria County Council. Both Councils are defending the claims and legal proceedings are ongoing. There is insufficient evidence at this stage that a liability exists and it would not be appropriate for further details to be included at this stage.

CUMBRIA COUNTY COUNCIL
SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

On the 19th December 2023 Westmorland and Furness Council and Cumberland Council, as the 50/50 shareholders of Cumbria County Holdings Ltd (CCH), gave approval to the CCH Board to sell one of its subsidiary undertakings, Cumbria Waste Group (CWG), to Waterland. The business will continue to be based at its Carlisle headquarters and all staff will transfer as part of the sale with no change to roles and responsibilities.

This is a non adjusting event and the estimated impact on the Council's group accounts based on the 2022/23 Accounts would be a transfer out of c£39.6m assets, c£24.9m liabilities and turnover of c£53.9m.

CCH will continue to own the Orian Solutions group and will further invest in the growth of this part of the business.

Introduction to the Group Accounts

7.1 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 companies. The subsidiary companies have all prepared their accounts to 31st March 2023. Cumbria County Holdings Ltd have then produced their own consolidated group accounts for 2022/23 and these have been used to produce the Cumbria County Council Group Accounts. Where balances are materially different from the Council's Accounting Statements the Group notes have been included.

7.2 Group Boundary

During 2022/23 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 2022/23 the Group accounts includes Cumbria County Holdings Ltd (CCHL) and its subsidiaries Cumbria Waste Management Ltd (CWM) and Orian Solutions Ltd.

CWM has the subsidiaries - Cumbria Waste Recycling Ltd (CWR), Trotters Dry Waste Ltd and Lakeland Waste Management Ltd which are wholly owned. In addition there Lakeland Waste Management Ltd has a subsidiary, Lakeland Minerals Ltd, which is 50% owned and is run as a joint venture with Norman Harrison. Orian Solutions Ltd has a wholly owned subsidiary SLS (Cumbria) Ltd (SLS).

The results of the companies are summarised in Note 39.

The Council also has an interest in the following companies – Traveline Cumbria Ltd and NW Firecontrol Limited. These are relatively small and do not materially alter the group accounting statements if they are either included or excluded. So, on the grounds of materiality they are not included in the group accounts but are still included in the related parties note to the accounts including their results for the year (Note 39).

The other entities within the group are limited companies, which are separate distinct legal entities. This restricts the Council's risk to potential financial loss to the value of the initial shareholding and the costs associated with any continuity of the services they provide to the Council.

7.3 Joint Ventures

During 2015/16 the wholly owned LWM acquired a 50% share of Lakeland Minerals Ltd. This is classified as a joint venture as there is a contractual agreement to share control and the joint venturers have the right to the net assets of the arrangement. The Code of Practice requires that this is incorporated into the group accounts using the equity method, adjusting the original cost of investment for any post acquisition change in its share of net assets, and including any share of profit or loss into the Group Comprehensive Income and Expenditure Statement.

7.4 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:

i. Non-Current Assets

Profits and losses on disposal are treated as a charge to the cost of services. Significant profits and losses on disposal are shown as exceptional items. Their non-current assets are held at cost with depreciation charged over their estimated useful lives. The Council engaged a specialist valuer in September 2021 to value the landfill sites for accounting purposes. The valuer provided assurance that the current value of the landfill sites and associated land and buildings is not materially different to the net book value included in the Group Balance Sheet. The Group have confirmed that there have been no significant changes to the inputs to the valuation in subsequent years.

The Cumbria Waste Management group completes a revaluation to reflect the cost and associated liabilities of managing active 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 total provision created by Cumbria Waste Management Ltd in 2022/23 is £18.003m (2021/22 £15.016m).

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

The Group does not operate its own pension scheme. Within the Group, a number of employees are members of the Cumbria Local Government Pension Scheme, the Durham Local Government Pension Scheme and the Tyne and Wear Local Government Pension Scheme. The Group also makes contributions to money purchase pension schemes for employees not in the Cumbria County Council scheme.

The Cumbria Local Government Pension Scheme is a defined benefit scheme of which Cumbria Waste Management Limited and Orian Solutions Limited are participating employers. A full actuarial valuation of the scheme was carried out as at 31st March 2022 as required under the regulations governing the fund.

Based on this valuation, the actuaries advised that the cost of pensions charged to the Group's profit and loss account should be 18.9% (Cumbria Waste Management Limited) and 25.0% (Orian Solutions Limited) of pensionable salaries per annum for the year commencing 1 April 2023. Orian Solutions Limited will benefit from surplus recovery of up to £300,600 to offset against its contributions in the year.

In order to assess the actuarial value of the Cumbria Local Government Pension Scheme's liabilities as at 31st March 2023, the actuary has followed the approximate update method and approach set out in the CIPFA calculation guide. The assumptions adopted are based in the 2022 valuation assumptions, other than the financial assumptions as prescribed by FRS 102 as set out below.

CUMBRIA COUNTY COUNCIL

SECTION 7 – GROUP ACCOUNTING STATEMENTS

The valuation was updated by the actuary on an FRS 102 basis as at 31st March 2023. CCHL recognised a net pension asset of £1.538m for Orian Solutions Ltd and £nil for Cumbria Waste Management Ltd.

7.5 Impact of Local Government Reorganisation

Post vesting day 50% of the shares in Cumbria County Holdings Ltd have been transferred to Westmorland and Furness Council and 50% to Cumberland Council.

7.6 Events After the Reporting Period

On 5th January 2024 the Cumbria County Holdings Ltd (CCHL) Board announced its intention to sell its subsidiary undertakings, Cumbria Waste Group (CWG), to Waterland. The business will continue to be based at its Carlisle headquarters and all staff will transfer as part of the sale with no change to roles and responsibilities.

This is a non adjusting event and the estimated impact on the Council's group accounts based on the 2022/23 Accounts would be a transfer out of c£39.6m assets, c£24.9m liabilities and turnover of c£53.9m.

CCHL will continue to own the Orian Solutions group and will further invest in the growth of this part of the business.

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Group Comprehensive Income and Expenditure Statement

2021/22			2022/23		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
Services:					
688,037	(449,017)	239,020	749,647	(463,786)	285,861
195,561	(25,667)	169,894	201,761	(29,943)	171,818
21,409	(1,250)	20,159	23,158	(954)	22,204
10,525	(1,429)	9,097	12,640	(862)	11,778
55,451	(13,992)	41,460	66,753	(17,463)	49,290
3,501	(1,642)	1,859	8,764	(1,574)	7,190
23,889	(22,884)	1,005	27,787	(9,190)	18,597
59,987	(52,138)	7,849	72,183	(67,879)	4,304
1,058,361	(568,018)	490,343	1,162,694	(591,652)	571,042
Cost of Services					
4,820	0	4,820	3,545	0	3,545
92,427	(39,247)	53,180	119,528	(58,398)	61,130
0	(508,857)	(508,857)	0	(530,038)	(530,038)
1,155,608	(1,116,122)	39,486	1,285,767	(1,180,088)	105,679
(Surplus) or Deficit on Provision of Services					
21	0	21	65	0	65
169	0	169	1,649	0	1,649
1,155,798	(1,116,122)	39,676	1,287,481	(1,180,088)	107,393
Group (Surplus) or Deficit					
					3,857 (Surplus) or deficit on revaluation of Property, Plant and Equipment
					(177,745) Remeasurement of the net defined benefit liability / (asset)
					(173,888) Other Comprehensive Income and Expenditure
					(134,212) Total Comprehensive Income and Expenditure

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Group Movement in Reserves Statement

		General Fund Balance	Earmarked Reserves	Total Statutory General Fund	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority Share of Subsidiary, Joint Venture and Associate Reserves	Total Reserves
	Note Ref	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2022		(25,056)	(150,259)	(175,316)	(5,579)	(3,907)	(184,803)	154,707	(30,094)	(13,616)	(43,712)
Movement in reserves during 2022/23											
Total Comprehensive Income and Expenditure		100,793	0	100,793	0	0	100,793	(700,828)	(600,035)	2,779	(597,256)
Adjustment Between Group Accounts and Authority Accounts		8,280	0	8,280	0	0	8,280	0	8,280	(8,280)	0
Total Comprehensive Income and Expenditure		109,073	0	109,073	0	0	109,073	(700,828)	(591,755)	(5,501)	(597,256)
Adjustments between accounting basis and funding basis under regulations	10	(65,883)	0	(65,883)	(7,532)	1,164	(72,251)	72,251	0	0	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves		43,189	0	43,189	(7,532)	1,164	36,821	(628,577)	(591,755)	(5,501)	(597,256)
Transfers (to) / from Earmarked Reserves	32	(47,623)	47,623	0	0	0	0	0	0	0	0
(Increase) or Decrease in 2022/23		(4,434)	47,623	43,189	(7,532)	1,164	36,821	(628,577)	(591,755)	(5,501)	(597,256)
Balance at 31st March 2023	G6	(29,490)	(102,638)	(132,128)	(13,111)	(2,743)	(147,982)	(473,869)	(621,850)	(19,117)	(640,967)

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

		General Fund Balance £000	Earmarked Reserves £000	Total Statutory General Fund £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority Share of Subsidiary, Joint Venture and Associate Reserves £000	Total Reserves £000
2021/22	Note Ref										
Balance at 31st March 2021		(25,056)	(116,427)	(141,483)	(5,179)	(3,173)	(149,835)	252,138	102,303	(11,803)	90,500
Movement in reserves during 2021/22											
Total Comprehensive Income and Expenditure		30,996	0	30,996	0	0	30,996	(171,552)	(140,556)	6,344	(134,212)
Adjustment Between Group Accounts and Authority Accounts		8,157	0	8,157	0	0	8,157	0	8,157	(8,157)	0
Total Comprehensive Income and Expenditure		39,153	0	39,153	0	0	39,153	(171,552)	(132,399)	(1,813)	(134,212)
Adjustments between accounting basis and funding basis under regulations	10	(72,987)	0	(72,987)	(400)	(734)	(74,121)	74,121	0	0	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves		(33,832)	0	(33,832)	(400)	(734)	(34,968)	(97,431)	(132,399)	(1,813)	(134,212)
Transfers (to) / from Earmarked Reserves	32	33,832	(33,832)	0	0	0	0	0	0	0	0
(Increase) or Decrease in 2021/22		0	(33,832)	(33,832)	(400)	(734)	(34,968)	(97,431)	(132,399)	(1,813)	(134,212)
Balance at 31st March 2022	G6	(25,056)	(150,259)	(175,316)	(5,579)	(3,907)	(184,803)	154,707	(30,094)	(13,616)	(43,712)

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Group Balance Sheet

Note Ref	31st March 2022 £000		31st March 2023 £000
G1	1,306,395	Property, Plant and Equipment	1,345,283
	588	Heritage Assets	590
	6,732	Investment Property	6,416
	(73)	Intangible Assets	(70)
	672	Investments in Joint Ventures	594
	2,326	Long Term Debtors	1,679
	1,316,640	Long Term Assets	1,354,492
	147,075	Short-term Investments	85,625
	2,000	Assets Held for Sale	0
	2,155	Inventories	2,412
G3	93,894	Short Term Debtors	122,196
G2	99,412	Cash and Cash Equivalents	83,717
	344,536	Current Assets	293,951
	(9,626)	Short-Term Borrowing	(15,167)
G4	(124,463)	Short-Term Creditors	(124,736)
G5	(3,319)	Provisions	(4,164)
	(26,757)	Grants Receipts in Advance - Revenue	(34,898)
	(56,969)	Grants Receipts in Advance - Capital	(40,188)
	(221,134)	Current Liabilities	(219,153)
	(5,820)	Long-Term Creditors	(4,889)
G5	(20,765)	Provisions	(22,434)
	(381,696)	Long Term Borrowing	(370,880)
	(108,917)	Long Term PFI Liabilities	(106,397)
	(867,719)	Net Pension Liabilities	(262,828)
	(8,988)	Deferred Income	(8,459)
	(2,427)	Grants Receipts in Advance - Capital	(12,434)
	(1,396,332)	Long Term Liabilities	(788,321)
	43,710	Net (Liabilities) / Assets	640,969
	(198,417)	Usable Reserves	(167,100)
	154,707	Unusable Reserves	(473,869)
G6	(43,710)	Total Reserves	(640,969)

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Group Cash Flow Statement

2021/22		2022/23
£000		£000
(39,676)	Net (deficit) on the provision of services	(107,390)
157,922	Adjustment to (surplus) or deficit on the provision of services for noncash movements	150,952
(75,084)	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	(91,012)
43,162	Net cash flows from operating activities	(47,450)
(73,384)	Net cash flows from investing activities	39,241
(2,145)	Net cash flows from financing activities	(7,485)
(32,367)	Net increase or (decrease) in cash and cash equivalents	(15,695)
131,779	Cash and cash equivalents at the beginning of the reporting period	99,412
99,412	Cash and cash equivalents at the end of the reporting period	83,717

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

NOTES TO THE GROUP ACCOUNTING STATEMENTS

G1 - Property, Plant and Equipment

Movements to 31st March 2023

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
at 1st April 2022	587,547	86,384	53	21,641	19,674	715,299
Additions	19,217	12,044	0	1,369	22,512	55,142
Accumulated Depreciation written out to Gross Carrying Amount	(20,133)	(165)	0	(182)	0	(20,480)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,165	82	0	1,809	585	31,641
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(7,681)	89	0	(820)	0	(8,412)
Derecognition – disposals	(10,325)	(3,189)	0	(5,795)	(677)	(19,986)
Assets reclassified to/from Investment Properties	(182)	0	0	0	0	(182)
Other Movements	3,263	0	0	(25)	(3,519)	(281)
at 31st March 2023	600,871	95,242	53	17,997	38,575	752,738
Accumulated Depreciation and Impairment						
at 1st April 2022	(42,044)	(42,257)	0	0	0	(84,301)
Depreciation charge	(13,611)	(6,295)	0	(307)	0	(20,213)
Accumulated Depreciation written out to Gross Carrying Amount	20,133	165	0	182	0	20,480
Assets reclassified to/from Investment Properties	2	0	0	0	0	2
Other Movements	0	0	0	0	0	0
Derecognition – disposals	478	3,075	0	77	0	3,630
at 31st March 2023	(35,042)	(45,309)	0	(48)	0	(80,399)
Net Book Value						
at 31st March 2023	565,829	49,933	53	17,949	38,575	672,339
at 31st March 2022	545,503	44,127	53	21,641	19,674	630,998

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Movements to 31 March 2022

	Land and Buildings £000	Restated Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Restated Total Property, Plant and Equipment £000
Cost or Valuation						
at 1st April 2021	598,823	116,335	53	21,881	10,273	747,366
Additions	14,255	5,545	0	1,978	12,439	34,217
Accumulated Depreciation written out to Gross Carrying Amount	(11,478)	(929)	0	(949)	0	(13,356)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,607)	191	0	533	0	(3,883)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(6,093)	(367)	0	(1,186)	(786)	(8,432)
De-recognition - other	0	(35,422)	0	0	0	(35,422)
Derecognition – disposals	(3,572)	(427)	0	(516)	(572)	(5,087)
Other Movements	218	1,457	0	(100)	(1,679)	(104)
at 31st March 2022	587,547	86,384	53	21,641	19,674	715,299
Accumulated Depreciation and Impairment						
at 1st April 2021	(39,384)	(72,829)	0	(707)	0	(112,921)
Depreciation charge	(14,214)	(6,197)	0	(274)	0	(20,685)
Accumulated Depreciation written out to Gross Carrying Amount	11,478	929	0	949	0	13,356
Other Movements	6	40	0	0	0	46
De-recognition - other	0	35,422	0	0	0	35,422
Derecognition – disposals	71	379	0	31	0	481
at 31st March 2022	(42,044)	(42,257)	0	0	0	(84,301)
Net Book Value						
at 31st March 2022	545,503	44,127	53	21,641	19,674	630,998
at 31st March 2021	559,439	43,506	53	21,174	10,273	634,445

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

Property Plant & Equipment Reconciliation to Balance Sheet

2021/22		2022/23
675,397	Infrastructure Assets	672,945
630,998	Other Property Plant & Equipment Assets	672,711
1,306,395	Total Property, Plant & Equipment	1,345,656

G2 - Cash and Cash Equivalents

31st March 2022			31st March 2023	
Council £000	Group £000		Council £000	Group £000
8,066	21,983	Cash and Bank balances	20,609	37,603
77,429	77,429	Short Term Deposits	46,114	46,114
85,495	99,412	Total Cash and Cash Equivalents	66,723	83,717

G3 – Short Term Debtors

An analysis of sums due to the Council as at 31st March 2023 is as follows:

31st March 2022			31st March 2023	
Council £000	Group £000		Council £000	Group £000
13,676	13,676	Residential and non- residential care charges	12,705	12,705
15,997	18,217	Prepayments	17,325	19,947
3,232	10,420	Other Receivable Amounts	11,802	22,107
20,470	21,844	Central Government Bodies	29,255	30,048
5,000	5,412	Other Local Authorities	6,298	6,298
12,364	13,176	Trade Debtors with NHS Bodies	12,957	12,957
22	22	Trade Debtors with Public Corporations and Trading Funds	5,725	5,725
11,127	11,127	Local Taxation	12,408	12,408
81,888	93,894	Total Short Term Debtors	108,475	122,196

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

G4 – Short Term Creditors

An analysis of amounts owed by the Council at 31st March 2023 is:

31 st March 2022			31 st March 2023	
Council £000	Group £000		Council £000	Group £000
(13,379)	(13,379)	Employee Leave Accrual	(12,771)	(12,771)
(1,961)	(1,961)	Short term PFI Loans	(2,622)	(2,622)
(10,356)	(10,356)	Owed to Accountable Bodies	(10,264)	(10,264)
(6,971)	(6,971)	Accounts Payable Control	(6,546)	(11,028)
(5,165)	(5,165)	Accruals	(818)	(4,278)
(9,404)	(9,404)	Capital Payables	(10,131)	(10,131)
(25,726)	(32,257)	Other Payables	(35,427)	(34,685)
(72,962)	(79,493)	Total Other payables	(78,579)	(85,778)
(16,646)	(20,360)	Central Government Bodies	(13,294)	(16,842)
(14,358)	(15,002)	Other Local Authorities	(13,655)	(13,655)
(3,590)	(3,590)	NHS Bodies	(2,391)	(2,391)
(62)	(62)	Public Corporations and Trading Funds	0	0
(5,956)	(5,956)	Local Taxation (council tax and non-domestic rates)	(6,070)	(6,070)
(113,574)	(124,463)	Total Short Term Creditors	(113,989)	(124,736)

CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS

G5 - Provisions

Current Provisions

	Insurance - Motor and Fire £000	MMI Provision £000	Voluntary Redundancies £000	Other Provisions £000	Restoration and Aftercare of Landfill Sites £000	Total £000
2022/23						
Opening Balance	(88)	(33)	0	(3,034)	(164)	(3,319)
Increase in provision during year	(20)	0	(368)	(1,248)	0	(1,636)
Utilised during year	0	23	0	714	54	791
Closing Balance	(108)	(10)	(368)	(3,568)	(110)	(4,164)

	Insurance - Motor and Fire £000	MMI Provision £000	Voluntary Redundancies £000	Other Provisions £000	Restoration and Aftercare of Landfill Sites £000	Total £000
2021/22						
Opening Balance	(302)	(17)	(304)	(3,607)	(173)	(4,403)
Increase in provision during year	0	(15)	0	(975)	(164)	(1,154)
Utilised during year	214	0	304	1,547	173	2,238
Closing Balance	(88)	(33)	0	(3,034)	(164)	(3,319)

Long Term Provisions

	Insurance - employers and public liability £000	Business Rates Appeals £000	Deferred Tax £000	Restoration and aftercare of landfill sites £000	Total £000
2022/23					
Opening Balance	(4,907)	(1,006)	0	(14,852)	(20,765)
Increase in provision during year	(296)	(802)	(788)	(262)	(2,148)
Utilised during year	0	1,006	0	143	1,149
Unwinding of discounting	0	0	0	(670)	(670)
Closing Balance	(5,203)	(802)	(788)	(15,641)	(22,434)

	Insurance - employers and public liability £000	Business Rates Appeals £000	Deferred Tax £000	Restoration and aftercare of landfill sites £000	Total £000
2021/22					
Opening Balance	(8,456)	(1,870)		(13,032)	(23,358)
Increase in provision during year	0	(1,006)		(1,239)	(2,245)
Utilised during year	3,549	1,870		7	5,426
Unwinding of discounting	0	0		(588)	(588)
Closing Balance	(4,907)	(1,006)		(14,852)	(20,765)

Total Provisions

	2021/22 £000	2022/23 £000
(27,761) Opening Balance		(24,084)
(3,399) Increase in provision during year		(3,784)
7,664 Utilised during year		1,940
(588) Unwinding of discounting		(670)
(24,084) Closing Balance		(26,598)

**CUMBRIA COUNTY COUNCIL
SECTION 7 – GROUP ACCOUNTING STATEMENTS**

G6 - Group Summary of Reserves

	Cumbria County Council £000	Cumbria County Holdings Group £000	Inter Group Transactions £000	TOTAL £000
<u>Usable Reserves</u>				
Usable Capital Receipts Reserve	(2,743)	0	0	(2,743)
Usable Capital Receipts Reserve	(13,111)	0	0	(13,111)
Revenue - Earmarked	(102,638)	0	0	(102,638)
Revenue - General	(29,490)	(19,118)	0	(48,608)
Total Usable Reserves	(147,982)	(19,118)	0	(167,100)
<u>Unusable Reserves</u>				
Share Capital	0	(3,183)	3,183	0
Revaluation Reserve	(160,270)	0	0	(160,270)
Capital Adjustment Account	(614,693)	0	0	(614,693)
Financial Instruments Adjustment Account	380	0	0	380
Pensions	264,366	0	0	264,366
Dedicated Schools Grant Adjustment Account	21,031	0	0	21,031
Collection Fund Adjustment Account	2,822	0	0	2,822
Accumulated Absences Account	12,495	0	0	12,495
Total Unusable Reserves	(473,869)	(3,183)	3,183	(473,869)
TOTAL FUNDS	(621,851)	(22,301)	3,183	(640,969)

CUMBRIA COUNTY COUNCIL
SECTION 8 – FIREFIGHTERS’ PENSION SCHEME ACCOUNTS

The Firefighters’ Pension Scheme Financial Statement 2022/23

2021/22			2022/23	
£000	£000		£000	£000
		FUND ACCOUNT		
		Contributions Receivable		
(3,085)		From Employer	(3,135)	
(1,405)		From Members	(1,440)	
	(4,490)			(4,575)
		Transfers In		
(42)		Individual transfers from other Schemes	(58)	
	(42)			(58)
	(4,532)	Total income		(4,633)
		Benefits Payable		
5,758		Pensions	6,202	
1,268		Ill Health and Injury	1,284	
2,043		Lump Sums	1,267	
543		Lump Sum Death Benefits & Widows Pensions	549	
	9,612			9,302
		Payments to and on account of leavers		
0		Individual transfers out of the Schemes	6	
72		Other	58	
	72			64
	9,684	Total Expenditure		9,366
	5,152	Net amount receivable/payable before top-up from Government		4,733
	5,152	Top-up receivable/(payable) from Government		4,733
	0	Net amount receivable/(payable) for the year		0
		NET ASSETS STATEMENT		
		Current Assets		
1,973		Contributions due from Employer		
555		Contributions due from Employee		
		Pension top-up receivable from Government	1,479	
		Prepaid Pensions	606	
	2,528			2,085
		Current Liabilities		
(2,528)		Other current assets and liabilities	(2,085)	
	(2,528)			(2,085)
	0			0

CUMBRIA COUNTY COUNCIL

SECTION 8 – FIREFIGHTERS’ PENSION SCHEME ACCOUNTS

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 37.3% for the 1992 Firefighters’ Pension Scheme and for the Modified Scheme, 27.4% for the 2006 Scheme, and 28.8% for the 2015 Scheme. The Council is required to make payments into the pension fund in respect of ill health retirements, when they are granted. 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

All 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.

Notes to the Firefighters’ Pension Scheme Financial Statements continued

3. Fund’s Operation continued

The Council administers and pays firefighters’ pensions from a separate local firefighters’ pension fund. Employee contributions, 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. The fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The long term pensions obligations is included in the Council’s pensions liability (and pensions reserve) in the Balance Sheet. The liability for the Firefighters pensions scheme at 31st March 2023 was £229.386m (31st March 2022 £341.117m). Further details can be found in note 35 to the Council’s Statement of Accounts.

Employment Tribunal - McCloud / Sargeant

The decisions of the Court of Appeal in the McCloud / Sargeant cases has ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constitute unlawful age discrimination. The Government has accepted that remedies relating to this judgement are needed and issued a consultation was published in July 2020 to address the discrimination in the unfunded public service pension schemes, including the Teachers and Firefighters’ pension schemes. Further consultations on remedies have been issued in 2023.

At this stage the extent of any issue for the Firefighters Pension scheme is not clear, but the Council’s Actuary, Mercers, have calculated the approximate effects of the costs if the transitional protections need to be extended to younger members and this has been incorporated into the net pension liabilities on the Council’s Balance Sheet.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The contribution rates are unchanged for 2023/24.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31st March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

CUMBRIA COUNTY COUNCIL

SECTION 9 - GLOSSARY OF TERMS

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CUMBRIA COUNTY COUNCIL

SECTION 9 - GLOSSARY OF TERMS

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

DLUHC

Department of Levelling Up, Housing and Communities, the UK government department with responsibility for Local Government. Formerly called the Ministry of Housing, Communities and Local Government ("MHCLG").

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

CUMBRIA COUNTY COUNCIL

SECTION 9 - GLOSSARY OF TERMS

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

CUMBRIA COUNTY COUNCIL

SECTION 9 - GLOSSARY OF TERMS

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

CUMBRIA COUNTY COUNCIL

SECTION 9 - GLOSSARY OF TERMS

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

CUMBRIA COUNTY COUNCIL
SECTION 9 - GLOSSARY OF TERMS

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

CONTENTS

10.1	THE FINANCIAL STATEMENTS	
	Pension Fund Account for the Year Ended 31 March 2023	195
	Net Assets Statement as at 31 March 2023	196
10.2	NOTES TO THE FINANCIAL STATEMENTS	197
Note 1(a)	Description of the Fund and Basis of Preparation	197
Note 1(b)	Investment Market Activity during 2022/23	199
Note 1(c)	Fund Performance 2022/23	199
Note 1(d)	Business Plan Achievements and Looking Forward	200
Note 2	Summary of Significant Accounting Policies	203
Note 3	Contributions	211
Note 4	Transfers in from other Pensions	213
Note 5	Benefits	213
Note 6	Payments to and on Account of Leavers/Employer Exit	214
Note 7	Management Expenses	215
Note 8	Management Expenses Additional Information	215
Note 8(a)	Investment Expenses Additional Information	217
Note 9	Net Investment Income	218
Note 10	Investment Assets	220
Note 10(a)	Investments Analysed by External Manager	222
Note 10(b)	Investment Properties	223
Note 10(c)	Derivatives	225
Note 10(d)	Profit and Losses on Disposal of Investments and Changes in the Market Value of Investments	226
Note 10(e)	Investments representing more than 5% of the Net Assets of the Fund	228
Note 10(f)	Fair Value - Basis of Valuation	228
Note 10(g)	Fair Value Hierarchy	230
Note 10(h)	Reconciliation of Fair Value measurement within Level 3	232
Note 11	Financial Instruments	233
Note 11(a)	Classification of Financial Instruments carried at Fair Value	233
Note 12	Current Assets	234
Note 13	Current Liabilities	235
Note 14	Nature and Extent of Risks Arising from Financial Instruments	235
Note 15	Additional Voluntary Contributions	245
Note 16	Related Party Transactions	247
Note 17	Contingent Liabilities and Contractual Commitments	251
Note 18	Contingent Assets	251
Note 19	Impairment Losses	252
Note 20	Stock Lending	252
Note 21	Events After Reporting Date	253
Note 22	Judgements in Applying Accounting Policies and the Use of Estimates and Uncertainties	253
Note 23	Actuarial Position of the Fund	256
Note 24	Accounting Standards issued but not yet adopted	261
Note 25	Participating Employers of the Fund	262
Appendix	Glossary	263

10.1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2021/22		2022/23	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		83,717		89,588
Transfers in from other pension funds	4		8,422		11,348
			92,139		100,936
Benefits	5		(94,775)		(99,033)
Payments to and on account of leavers / employer exit	6		(27,829)		(7,061)
Net additions / (deductions) from dealings with members			(30,465)		(5,158)
Management expenses	7 & 8		(17,708)		(18,477)
Net additions / (deductions) including fund management expenses			(48,173)		(23,635)
Returns on investments					
Investment Income		59,109		49,542	
Taxes on Income		(121)		(67)	
Net investment income	9	58,988		49,475	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(d)	239,693		(180,240)	
Net return on investments			298,681		(130,765)
Net increase (decrease) in the net assets available for benefits during the year			250,508		(154,400)
Net assets at the start of the year			3,067,207		3,317,715
Net assets at the end of the year			3,317,715		3,163,315

NET ASSETS STATEMENT AS AT 31 MARCH 2023

	Notes	31 March 2022	31 March 2023
		£'000	£'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,317,089	3,161,293
Investment liabilities	10	(7,853)	(3,466)
Total net investment assets		3,310,418	3,159,009
Long term assets		-	-
Current assets	12	9,130	6,496
Long term liabilities		-	-
Current liabilities	13	(1,833)	(2,190)
Net assets of the Fund available to fund benefits at the period end		3,317,715	3,163,315

2 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 (a): DESCRIPTION OF THE FUND AND BASIS OF PREPARATION

The Cumbria Local Government Pension Scheme (“Cumbria LGPS”, “the Fund” and “Cumbria Pension Fund”) is a contributory defined benefit scheme to provide pensions and other benefits for all members of the Fund. The Fund was administered by Cumbria County Council until 31 March 2023 and is being administered by Westmorland and Furness Council from 1 April 2023 as a result of Local Government Reorganisation (LGR) within Cumbria.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Through balancing the strategic investment of the Fund’s assets to the liability profile of the membership, the aims of the Cumbria LGPS are to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers’ liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Membership to the Cumbria LGPS is open to:

- all eligible employees of scheduled bodies (local government, academies, colleges) 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); and
- other eligible employees of admitted employers of the Fund (usually this includes employers to whom contracts have been awarded for the provision of public services within the county).

All eligible local government employees are automatically entered into the scheme. Employees may choose to opt out at any point in time.

As at 31 March 2023 the total membership of the Fund was 62,278 (2021/22: 60,312) and consisted of 17,681 contributors/actives (2021/22: 17,853), 25,650 deferred members (2021/22: 24,280) and 18,947 pensioners (2021/22: 18,179). The active and deferred membership numbers have been adjusted to account for those scheme members who are recorded as active members but are not actively contributing into the scheme and therefore have been considered to be currently in the process of being transferred to deferred leaver status.

At 31 March 2023 there were 125 (31 March 2022: 127) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). The number of employers decreased by two during the year, which was a result of the admission of five new employers, the merger of three employers with existing Fund employers, and the exit of four employers from the Fund.

Basis of Preparation:

The Statement of Accounts for the Cumbria Local Government Pension Scheme (Cumbria LGPS) is presented in its entirety and separately from the General Fund in Cumbria County Council's Accounts. Although the County Council was the Administering Authority, the Fund covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are included in Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2022/23 and the position at the year-end date, 31 March 2023. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) 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. IAS 26 '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'.

The accounts have been prepared on a going concern basis. Due to LGR in Cumbria, the seven legacy Councils covering Cumbria were replaced by two new unitary councils from 1 April 2023 – Westmorland & Furness Council covering the areas of Barrow, Eden and South Lakeland, and Cumberland Council covering the areas of Allerdale, Carlisle and Copeland. Cumbria County Council, ceased to exist as at 31 March 2023 and Westmorland & Furness Council became the Administering Authority of Cumbria LGPS from 1 April 2023. The Fund will continue to provide services, as currently, to all of its scheduled, resolution and admitted bodies.

NOTE 1 (b): INVESTMENT MARKET ACTIVITY DURING 2022/23

The financial year 2022/23 was mostly focussed on inflationary pressures, easing of Covid restrictions in developed economies, the continuing Russian invasion of Ukraine, and the impact of a range of different UK Government policies resulting in a sharp fall in government bonds. The wider global markets experienced a highly volatile year, driven primarily by concerns over high inflation, base rate actions, and the prospect that developed economies could enter into recession.

One-year returns in listed equities were mixed for the 2022/23 period, with the MSCI All Country World Index recording a negative return of -1.4% for the twelve months, and the UK FTSE All Share recording a positive return of 2.9%. Europe recovered somewhat from the initial serious impact in early 2022 of the economic fall-out of the conflict, and the region outperformed the US for the twelve months with a positive return (Europe ex-UK 8.7% vs North America -2.5%).

The impact on other asset classes was varied. Government bond yields rose as higher inflation and increasing interest rates drove bond values downwards significantly through the year, with the UK Over-5 year index-linked gilts index showing a -30.4% return. UK property was also significantly impacted by the higher inflation and interest rates with the MSCI index (UK pension funds below £250m) showing a -13.8% return for the year. Private market assets (i.e. private equity, private debt and infrastructure funds) were the most stable at protecting capital; and outperformed public equities.

NOTE 1 (c): FUND PERFORMANCE 2022/23

As at 31 March 2023 the audited value of the Fund's net assets was £3,163.315m (a decrease of £154.400m from £3,317.715m as at 31 March 2022). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 106% funded as at 31 March 2023. This result was calculated by updating the results of the actuarial valuation as at 31 March 2022 to include an update to the real discount rate, to reflect changes in real yields since the valuation and the correlation of the Fund's holdings to those yields.

In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets. The Fund's long-term approach to investment and its diverse portfolio of investment assets meant that, whilst it was affected by the significant market movements described at 1(b) above, the impact on performance was reduced. Overall, the Fund made a negative return on its investments of -3.9% (net of fees) for the year-ended 31 March 2023.

As a long term investor, the Fund is primarily focussed on longer-term performance. and has outperformed both its 3 and 10 year benchmarks and matched the 5 year benchmark (3 year: 7.5% p.a. (net of fees) outperformed the benchmark of 6.9%, 5 year: 5.2% p.a. (net of fees) matched the benchmark, and 10 year: 7.3% p.a. outperformed the benchmark of 6.6% (net of fees)).

Performance to 31 March 2023 in relation to the Fund's bespoke benchmark over these timeframes is shown in the table below.

	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark
1 year performance	-3.9%	-2.9%	- 1.0%
3 year performance (per year)	7.5%	6.9%	+ 0.6%
5 year performance (per year)	5.2%	5.2%	+ 0.0%
10 year performance (per year)	7.3%	6.6%	+ 0.7%

As shown above, the Fund's return of -3.9% for the year was below the Fund's bespoke index performance benchmark of -2.9% for the same period. The main detractors from performance against benchmark were assets with absolute or inflation-plus benchmarks, as this included the Fund's UK property holdings and in fixed income (the multi-asset credit funds).

The process of implementing in the Fund's agreed asset allocation is ongoing, with the associated investment decisions being taken in a managed and responsive way. Key changes made in the twelve months to 31 March 2023 included:

- Reducing the Fund's holding in Multi-Asset Credit funds (also known as liquid fixed income) from 14% at the start of the year to 9% at March 2023, investing the proceeds in the Fund's increased strategic allocation to private debt; as the private debt allocation is invested in private markets closed-ended funds it will take some years to grow substantially from 7% at March 2023 and reach the long-term aim of 14% of the Fund;
- Rebalancing between assets to address larger underweights and overweights within the Fund that developed through market movements during the year; in particular to reduce outperforming assets such as the Border to Coast UK Equity fund and Overseas Developed Equity fund and reinvesting these proceeds into index-linked gilts, as this asset had fallen to below the percentage range set for it in the Investment Strategy;
- The selection of suitable investments for the Private Markets portfolio in February 2023, including new investment commitments of £300m made to Border to Coast Pensions Partnership Ltd (BCPP) private markets funds to be launched following the year-end (Border to Coast Infrastructure 2023, Border to Coast Private Equity 2023 and Border to Coast Private Credit 2023); and
- The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS AND LOOKING FORWARD

2022/23 Business Plan:

All targets set within the 2022/23 Business Plan have been achieved during the year with key tasks either completed, or ongoing work that is on track for completion. This work, key highlights of which are summarised below, has been delivered within the approved budget.

- **Continual improvement activities**

e.g. continual improvement programme for the quality of data held by the Fund. Work undertaken by the Fund and the Fund's pensions administration provider (Local Pensions Partnership Administration) has continued to see improvements in the common and conditional data scores reported to the Pensions Regulator.

- **Major annual pieces of work**

e.g. preparation of the Annual Report and Accounts. The 2021/22 Financial Accounts and Annual Report were compiled in accordance with CIPFA's example accounts requirements. The accounts were audited by Grant Thornton and an unmodified opinion was given with no recommendations arising. The auditor formally signed off the accounts in early 2023 with the Fund's 2021/22 Annual Report published on its website on 1 December 2022.

- **Completion of the 2022 actuarial valuation of the Cumbria Pension Fund.**

The 2022 valuation was signed off by 31 March 2023 in accordance with the regulatory timeframe. All employers received schedules detailing their respective funding position and contribution rates for 2023/24 – 2025/26.

- **Investigate and implement suitable investment options to implement the Investment Strategy approved by Pensions Committee and keep its ongoing suitability under review.**

The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds achieved the movement of the asset allocation to the revised Interim Strategy.

- **Liase with Border to Coast Pensions Partnership Ltd to ensure that suitable opportunities were available within the pool for the Fund to transition to its amended investment strategy.**

The Fund continued to be active in influencing the range of sub-funds that BCPP provide with the aim of being reflective of the majority of Investment Strategy Asset classes.

BCPP sub-funds currently under development include UK and global property, and UK Opportunities, in addition to further vintage funds in private markets; Infrastructure, Private Equity and Private Credit.

- **Prepare the Cumbria Pension Fund for organisational change resulting from Local Government Reorganisation (LGR).**

Throughout 2022/23 work was ongoing within the Fund to ensure that the Pension Fund continues to operate effectively following LGR.

This included ensuring the continuity of pensions' administration services which are delivered via a delegation of responsibilities arrangement with Lancashire County Council.

In addition a communication plan was developed to advise scheme members and employers as to how LGR would affect them.

In addition to the 2022/23 Business Plan, originally approved in March 2022, the Fund has had to respond to unforeseen activities during the first half of the year. These activities included:

- the impact of preparations for LGR on the Cumbria Pension Fund including the impact on workloads and resources over and above those considered when setting the business plan; and
- assessing whether any changes were required to the Fund’s Investment Strategy in response to rapidly increasing inflation. The impact of inflation on both the Fund’s liabilities and the Actuary’s assumptions in relation to the future investment returns were of particular concern, and Officers worked with the Independent Advisors and the Fund’s Actuary to consider these (an Investment Strategy ‘sense-check’). The conclusion was that no changes to the Fund’s long-term asset allocations were required during the year.

Looking forward to 2023/24:

In March 2023, the Cumbria Pensions Committee set the business plan for the Fund for 2023/24 (grouped under the three main service areas of Administration, Investment Management and Oversight and Governance). As set out below, these objectives are focused on the principal activities of the Fund as currently anticipated. However, given the changing nature of the LGPS and the economic climate, it is recognised that priorities may change throughout the year.

Pensions Administration

- Working with LPPA to address any pension administration issues associated with LGR in Cumbria.
- Appraising the impact of revised regulations arising from the resolution to the McCloud age discrimination case and the re-running of the cost cap process, and implementing any required changes to the Scheme.
- Embedding the new pensions administration system (“UPM”) used by LPPA into the Fund.
- Continuing to improve pension administration arrangements for the benefit of all members and employers of the Fund.
- Continual improvement programme for the quality of data held by the Fund.
- Continuing to monitor and improve employer data submission issues.
- Maintaining effective communication and liaison with Fund employers to meet the data requirements of the Pensions Regulator.

Investment Management

- Undertaking a full Investment Strategy Review to consider the key outcomes of the 2022 actuarial valuation and their implications for the Fund. A specialist Investment Consultant will be procured to lead the work.
- Continuing to investigate and implement suitable investment options to implement the current investment strategy, and in addition, any revisions following agreement of the 2023 Investment Strategy Review.
- Monitoring progress in moving towards the final target Investment Strategy and keep its ongoing suitability under review.
- Liaising with Border to Coast Pensions Partnership Ltd (BCPP) to ensure that suitable opportunities exist within the pool for the Fund to transition to its amended Investment Strategy.

Oversight & Governance

- Addressing any issues associated with the governance of Cumbria Pension Fund resulting from LGR.
- Completion of the 2022/23 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory/technical changes.
- Reviewing governance arrangements in response to financial, regulatory and structural changes.
- Reviewing and updating the Fund's risks, policies and strategies; and
- Reviewing, measuring and delivering training to Members and Officers as outlined in the Training Plan.

The Cumbria LGPS Annual Report and Accounts gives further details of the Fund's performance, management structure and investment news. The Annual Report and Accounts 2022/23 will be published on-line when finalised (and at the latest by the statutory deadline of 1 December 2023) on the Cumbria Pension Fund website www.cumbriapensionfund.org.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been reviewed in line with good practice. There have been no significant changes to accounting policies in 2022/23.

Fund account – revenue recognition

2.1. Contribution Income

Future service contributions, both from the members and from the employers within the Fund, are accounted for on an accruals basis at the rate recommended by the Fund Actuary for the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Other Employers contributions including pension strain costs are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current debtor. Amounts not due until future years are classed as long-term debtors. There are no such long term debtors at 31 March 2023.

Where an employer leaves the scheme, any contributions required or exit credit payable 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 Fund during the financial year. These are calculated in accordance with the Local Government Pension Scheme Regulations (see **Note 4 and Note 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 2.15) 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 9)

- 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.

- 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. In pooled funds with accumulation units, the Fund does not receive investment income directly from dividends or bonds, as this is received by the pooled fund and increases the value of the unitised holdings.
- 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 gains/losses during the year. Realised gains/losses have been classified where a purchase or sale of investments has occurred. Gains/losses on transfers of investments within the portfolio of an individual manager have been classified as unrealised gains/losses (i.e. where no cash transactions have taken place). (See **Note 10(d)**).

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 is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund 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 Finance team are charged direct to the Fund, with management, accommodation and other overheads apportioned to the Fund in accordance with general County Council practices. Staff and on-costs related to administration are apportioned to this heading.

This section also includes the cost of Local Pensions Partnership – Administration who provide the technical pension administration function for the Fund through a Delegation of Functions agreement with Lancashire County Council.

2.7. Investment management expenses (Notes 7, 8 and 8a)

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.

Transaction costs and pooled fund fees/expenses are also included as investment management expenses. No employees are currently employed solely on in-house investment management.

The Fund has reviewed any fee information received from managers prior to the cut-off date for the 2022/23 accounts and used this to inform the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, officers have estimated these fees based on the market value of the investments and respective investment manager mandate.

The majority of the Fund's investment managers have signed up to the cost transparency code (the voluntary code which covers the provision of transparent and consistent investment cost and fee information between investment managers and Funds). However, the deadline for the returns was 30 June 2023 so the majority of the returns were received from managers after the cut-off date for inclusion within these Accounts. The cost transparency templates are assessed as they are received and will inform additional disclosures of investment costs in the Fund's 2022/23 Annual Report to be published by 1 December 2023. It is anticipated that in future years the templates received will provide greater consistency and completeness in reporting by managers; this will enable the Fund to further enhance the transparency of investment costs in coming years.

2.8. Oversight and Governance costs (Note 7)

All oversight and governance costs are accounted for on an accruals basis. All staff costs of the County Council's Pensions Finance team are charged direct to the Fund. Staff and on-costs apportioned to this activity are charged as oversight and governance expenses.

The expenses for those charged with the governance of the Fund (e.g. training, travel and allowances) and the cost of obtaining investment advice from external investment consultants and advisors is included in oversight and governance costs. This section also includes actuarial fees, legal fees and shareholder voting services.

Net assets statement

2.9. 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 Fund 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 Fund.

Investment Assets

Northern Trust Corporation, as independent Custodians to the Fund, value any directly held 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 are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

- a) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
- 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. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund. Where the valuations are not audited as at 31 March 2023, the valuation is reported based on known transactional movement from the previous audited position. 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.
 - In the case of the unquoted equity shares for Cumbria LGPS's ownership of share capital in Border to Coast Pensions Partnership Ltd (BCPP), as no market or comparable market exists, there is no intention for the company to generate any material profit and as the financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost). Consequently, the shares are valued at cost. At 31 March 2023, these are valued at £1,181,818 as detailed in **Note 22**.
 - Investments in private equity funds and unquoted limited partnerships (**Note 14**) are valued based on the Fund'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.
- b) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. All valuations are performed in accordance with the appropriate Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standards ("IVS") or provides an IPEVC (International Private Equity and Venture Capital) (or other recognised industry standard) compliant valuation as applicable. The General Partner is responsible for preparing financial statements which give a true and fair view in accordance with International Financial Reporting Standards and

applicable laws. The Fund reviews the Annual Reports of the partnerships which have been independently audited.

- c) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March 2023. Unquoted pooled 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**.
- d) Freehold and leasehold properties: The properties are valued at fair value at 31 March 2023 by an independent valuer, CBRE Ltd, Chartered Surveyors, Henrietta House, Henrietta Place, London, W1G 0NB, in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.
- The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.
 - Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13.
 - "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), i.e. "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's-length transaction", is effectively the same as "Market Value", which is defined in the Red Book as: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."
 - The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date.
 - i. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal.
 - ii. The properties are valued individually, and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole.
 - iii. Acquisition costs have not been included in the valuation.
 - iv. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges.

- v. No account has been taken of the availability or otherwise of capital grants.

Further detail on Investment Properties is set out in **Note 10(b)**.

- e) Financial Assets measured at amortised cost: These are recognised on the Net Asset Statement when the Fund 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 i.e. principal amount adjusted for any interest payable / receivable at the year-end date and may be referred to as Investment receivables or trade/other debtors.

2.10. 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. Northern Trust Corporation 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 31 March 2023.

2.11. Derivatives

The Fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not currently hold derivatives for speculative purposes. There were no derivatives as at 31 March 2023.

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 were valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts is determined based on market quoted prices as at the reporting date. Fair value is the unrealised profit or loss at the market quoted price of the contract.

Derivatives are covered in more detail in **Note 10(c)**.

2.12. 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.

2.13. Financial liabilities

The Fund 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 Fund 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 Fund.

2.14. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see **Note 23**).

2.15. Additional voluntary contributions

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Fund currently has three appointed AVC providers: Prudential Assurance Company, 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 closed to new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

Employees / contributors AVCs are paid over to one of the three providers by the Fund employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement (from their provider) showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see **Note 15**).

2.16. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

2.17. Stock Lending

Securities on loan at the 31 March, if any, are included in the net assets statement to reflect the Fund's continuing economic interest in the securities. BCPP has an active

stock lending programme, where it is permissible and as lenders of stock do not generally retain voting rights on lent stock, there are procedures in place to enable stock to be recalled prior to a shareholder vote if considered necessary from a responsible investment perspective. The Fund's passive global equity holding is managed by Legal and General who also operate a stock lending programme in selective overseas equity markets under strict conditions.

2.18. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct material 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 Fund'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 Fund will use a suitable estimation technique determined by the Director of Finance (S151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Finance (S151 Officer) 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 would be corrected retrospectively by amending opening balances and comparative amounts for the prior period. However, no such amendments have been necessary for the opening balance of the 2022/23 accounts.

NOTE 3: CONTRIBUTIONS

Benefits (see **Note 5**) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Fund. Contributions from active members are made in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) while individual employers' contribution rates are based on triennial actuarial funding valuations (see **Note 23**).

Contribution rates for 2022/23 are as follows:

- Employees - range from 5.5% to 12.5% of pensionable pay dependent on the full-time salary of the member (these rates are halved for those employees opting for the flexibility of the 50:50 section of the LGPS).
- Employers - range from 13.7% to 34.5% of pensionable pay for future service, plus a lump sum payment for deficit recovery contributions where appropriate. 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 Fund 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	2021/22 £'000	2022/23 £'000
Employee contributions to the fund	19,898	22,062
Employer contributions to the fund:		
Normal contributions	60,948	64,503
Deficit recovery contributions	2,871	3,023
Total Employer contributions	63,819	67,526
Total Contributions receivable	83,717	89,588
By Employer Type	2021/22 £'000	2022/23 £'000
Administering Authority	48,411	51,852
Other Scheduled bodies	33,935	36,541
Admitted bodies	1,371	1,195
	83,717	89,588

As shown in the above table the Administering Authority contributions (Cumbria County Council) were £51.852m (£48.411m 2021/22).

In addition to future service contributions and historic deficit payments from employers, 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, they are recognised when the Fund receives them.

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 are contained in the full Actuarial Valuation Report as at 31 March 2019, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2022/23 financial year are available under ‘Forms and Publications / Policies’.

NOTE 4: TRANSFERS IN FROM OTHER PENSIONS

Transfers into the Fund have been made by individual members, where they decide to move pension benefits accrued from previous employment into their LGPS pension. These are variable year to year depending on choices made by individual members. In 2021/22 one employer group transfer inwards took place, for Inspira transferring into Cumbria County Council.

	2021/22 £'000	2022/23 £'000
Group transfers	2,172	-
Individual transfers	6,250	11,348
	8,422	11,348

NOTE 5: BENEFITS

Pension benefits within the LGPS are based on final pensionable pay or career average, and duration of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1 April 2008, during the period 1 April 2008 to 31 March 2014, and employed post 1 April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1.04.08 to 31.03.14	Service Post 1 April 2014
Basis	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked accrues 1/49th x pensionable salary.
Lump sum	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.	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 following table analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	2021/22 £'000	2022/23 £'000
Net pensions paid	79,129	82,764
Net lump sum on retirement	13,738	13,778
Net lump sum on death	1,908	2,491
	94,775	99,033
By Employer Type	2021/22 £'000	2022/23 £'000
Administering Authority	52,668	54,487
Scheduled bodies	34,171	35,684
Admitted bodies	7,936	8,862
	94,775	99,033

As shown in the above table the Administering Authority (Cumbria County Council) benefits paid in 2022/23 were £54.487m (£52.668m 2021/22).

NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS / EMPLOYER EXIT

Transfers out from the Fund have been made by individual members, where they decide to take pensions benefits accrued from previous employment within the Fund to a pension elsewhere. These are variable year to year depending on choices made by individual members. In 2021/22 one large employer group transfer out took place; Carlisle College transferred out to the Tyne and Wear Pension Fund.

	2021/22 £'000	2022/23 £'000
Refund of member contributions	250	194
Individual transfers out to other Schemes	2,976	6,326
Group transfer out to other Schemes	24,603	541
	27,829	7,061

NOTE 7: MANAGEMENT EXPENSES

Officers employed by the Administering Authority undertake the day to day management and administration of the Fund. Employee time spent working on the Fund and their associated costs e.g. office space and information technology are charged to the Fund. In addition, the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pension administration services, provided by delegation of function to Lancashire County Council, through Local Pensions Partnership Administration Ltd (LPPA), are charged to the Fund. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of management expenses are as follows:

	2021/22 £'000	2022/23 £'000
Administrative costs	1,732	1,872
Investment management costs	15,313	15,811
Oversight and governance costs	663	794
	17,708	18,477

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency and comparability, the Council has opted to disclose its pension fund management expenses in accordance with best practice outlined in the CIPFA guidance on LGPS management costs (July 2016). To further aid comparison a detailed breakdown for 2022/23 is provided for information in the next note.

Administration costs were £0.140m (8.1%) higher in 2022/23 than the previous year, for further details refer to **Note 8**.

Investment management costs were £0.498m (3.3%) higher in 2022/23 than the previous year, for further details refer to **Note 8 and 8(a)**.

Oversight and governance costs were £0.131m (19.8%) higher in 2022/23 than the previous year, for further details refer to **Note 8**.

NOTE 8: MANAGEMENT EXPENSES ADDITIONAL INFORMATION

The Code of Practice does not require any breakdown of pension fund management expenses. However, for information only, to further aid comparison using the

disclosure into the three headings suggested by CIPFA guidance, a detailed breakdown for 2022/23 is provided below.

	2021/22 £'000	2022/23 £'000
Administrative costs:		
Pensions Administration	1,416	1,499
Employee costs	296	349
Legal advice	19	23
Other	1	1
	1,732	1,872
Investment Management costs: See Note 8 (a)		
Management Fees	11,822	11,762
Performance Fees	3,386	4,016
Custody fees	38	33
Fund Entry costs	67	-
	15,313	15,811
Oversight and governance costs:		
Employee costs	328	378
Pension fund committee	18	26
Pension Board	10	18
Investment consultancy fees	76	48
Performance monitoring service	44	41
Shareholder voting service	10	10
Actuarial fees	44	156
Audit fees	31	31
Legal and tax advice	74	20
Other (including bank charges)	28	66
	663	794
	17,708	18,477

Variations on spend between years include:

- Pensions Administration - The budget for the Fund's pensions administrator, Local Pensions Partnership - Administration (LPPA), increased in 2022/23 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from additional scheme complexity, enhanced technology and improved customer service processes. In addition, a vacant post within the Administration team was filled during 2021/22 with the full year cost of this post being reflected in 2022/23.
- Investment Management Costs – Investment management costs increased in 2022/23 from £15.313m to £15.811m. In accordance with the CIPFA guidance, disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.

- Oversight and Governance costs – Actuarial costs increased in 2022/23 due to work undertaken associated with the triennial valuation of the Fund. Additionally, employee costs increased as a new post was recruited to during the year. The £0.031m of Audit fees reported in the accounts above include £0.023m relating to 2022/23 and £0.008m relating to 2020/21 which was invoiced in July 2022. The external auditor subsequently advised the updated fee structure for the 2022/23 audit which totalled £0.077m, necessitating £0.054m of 2022/23 audit fee being reported in the 2023/24 accounts.

NOTE 8(a): INVESTMENT MANAGEMENT EXPENSES ADDITIONAL INFORMATION

As detailed above, in accordance with CIPFA Guidance this note provides more detailed disclosure of investment management fees across the more specific asset class headings for the Fund’s Pooled investment holdings. The investment management fee values for 2021/22 are also provided for comparison purposes.

2022/23 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2022/23 £'000
Asset Classes				
BCPP Asset Pool				
Pooled Equity Investments with BCPP	1,950	-	-	1,950
Pooled Multi Asset Credit with BCPP	378	-	-	378
Governance & Development costs of BCPP	901	-	-	901
Pooled Passive Investments	48	-	-	48
Private Markets				
Infrastructure Funds	2,365	2,396	-	4,761
Private Equity Funds	2,086	1,376	-	3,462
Private Debt Funds	1,403	244	-	1,647
Multi Asset Credit Funds	1,383	-	-	1,383
Property Funds	571	-	-	571
Directly held Property	671	-	-	671
Cash & FX Contract costs	6	-	-	6
	11,762	4,016	-	15,778
Custody Fees				33
Total Investment Management Expenses				15,811

2021/22 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2021/22 £'000
Asset Classes				
BCPP Asset Pool				
Pooled Equity Investments with BCPP	2,362	-	-	2,362
Pooled Multi Asset Credit with BCPP	161	-	-	161
Governance & Development costs of BCPP	769	-	-	769
Pooled Passive Investments	45	-	-	45
Private Markets				
Infrastructure Funds	1,994	819	-	2,813
Private Equity Funds	2,160	1,880	-	4,040
Private Debt Funds	1,031	687	-	1,718
Multi Asset Credit Funds	2,074	-	-	2,074
Property Funds	516	-	67	583
Directly held Property	602	-	-	602
Cash & FX Contract costs	108	-	-	108
	11,822	3,386	67	15,275
Custody Fees				38
Total Investment Management Expenses				15,313

- BCPP asset pool – the 2022/23 fees represent a full year's cost for the pooled Equity funds and the pooled Multi Asset Credit fund. In addition, there are the annual charges from the pool in relation to the operational and governance costs and ongoing development of the company and related investment management projects to increase capacity.
- Private Markets - The objective of the Fund's strategic investment allocation to private markets is to select a portfolio of private market assets which aids cash flow and increases diversification and stability. The growth in the portfolio values together with additional investments into private market funds has led to increased management fees.

Total management fees on investments in private markets was £7.808m in 2022/23 which was a moderate increase on the previous year (£7.775m in 2021/22). There was an increase in the value of performance fees paid, from £3.386m in 2021/22 to £4.016m in 2022/23 however it is recognised levels of these fees are not consistent year on year, as the performance varies and is specific to each investment.

- Transaction and Entry costs – there were no transactions costs paid directly by the Fund in either year, however there was an Entry (equalisation) fee paid related to a new investment in a Residential property fund during 2021/22.

NOTE 9: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £49.475m net of £0.067m irrecoverable tax on dividends (2021/22 £58.988m, net of £0.121m irrecoverable tax on dividends) can be analysed as follows:

	2021/22 £'000	2022/23 £'000
Income from Equities	54	91
Infrastructure Funds Income	14,982	14,635
Private Equity Funds Income	15,059	10,164
Private Debt Funds Income	7,483	4,918
Multi Asset Credit Funds Income	11,277	8,463
Property Funds Income	2,897	2,274
Rents from Directly held Property	7,210	7,221
Interest on Cash deposits	26	1,709
	58,988	49,475

The Fund does not receive investment income directly from equity dividends, as this is received by the pooled fund and increases the value of the unitised holdings. The Fund however, continues to receive class action income several years after its direct ownership of shares, this is shown above as income from equities.

The majority of income earned relates to the Fund's private market portfolio (e.g. Infrastructure, Private Equity, Private Debt and Multi Asset Credit funds). The decrease in amounts received between 2021/22 and 2022/23 is due to the underlying investments maturing to varying degrees in each year; overall the Fund is committed to more investment in private markets. Timing of income is often dependent on the investment stage of the underlying investments with higher returns later in the investment cycle. The Fund invests in these assets with the objective of generating stable and / or inflation protected income streams to support payment of pensions.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2022		31 March 2023	
		Total £'000	Total £'000	Total £'000	Total £'000
Long-Term assets					
Unquoted Equities (shares in BCPP Ltd)			1,182		1,182
Investment Assets					
Pooled investment vehicles					
Pooled equity/fixed income (active):					
- UK equities		166,649		149,663	
- Global equities		657,893		682,461	
- Overseas equities		153,626		152,081	
- Fixed income funds		151,951		146,913	
		1,130,119		1,131,118	
Unitised insurance policies (passive):					
- Global equities		184,315		172,833	
- UK index-linked securities		558,368		444,547	
		742,683		617,380	
Other pooled funds and limited partnerships:					
- Infrastructure Funds		338,451		414,735	
- Private Equity Funds		254,425		309,840	
- Private Debt Funds		159,588		221,060	
- Multi Asset Credit / Fixed Income Funds		301,723		142,479	
- Property Funds		92,240		86,442	
		1,146,427		1,174,556	
Pooled investment vehicles & managed funds total			3,019,229		2,923,054
Investment properties	10(b)		209,300		156,540
Derivative contracts	10(c)		-		-
Cash & cash equivalents			85,614		79,636
Amounts receivable for sales *			-		-
Investment income accrued *			727		406
Property rental debtors *			2,219		1,657
			88,560		81,699
Subtotal investment assets			3,317,089		3,161,293
Investment liabilities					
Derivative contracts	10(c)		(4,142)		-
Amounts payable for purchases *			-		-
Property creditors *			(3,711)		(3,466)
Subtotal investment liabilities			(7,853)		(3,466)
Total Net Investments			3,310,418		3,159,009

* These current and long term assets / liabilities are not valued at 'Fair Value through profit and loss' and are therefore excluded from **Note 10(g)** - Fair Value Hierarchy.

Note 10(a) analyses the investments by Investment Manager.

Note 10(b) details the Fund's property portfolio.

Note 10(c) details the derivative contracts. These are forward foreign exchange contracts and futures held at 31 March, presented as assets where there is a gain and liabilities where there is a loss on the individual contracts at 31 March 2023.

In response to government requirements in relation to the pooling of LGPS assets, Cumbria LGPS along with 11 other partner LGPS funds, set up Border to Coast Pensions Partnership Ltd (BCPP). The company, formed to enable the pooling of LGPS investment assets by the twelve partner funds, launched its first investment funds in 2018/19. The share capital in BCPP Ltd is shown as a long-term asset as unquoted equities in the above table at a value of £1.182m (a 1/11th share of the total share capital in BCPP after Northumberland County Council Pension Fund and Tyne and Wear Pension Fund, two of the founding members of the BCPP, merged in 2020/21).

The Fund's largest active manager holding is with BCPP. The Fund's more liquid investments with BCPP total £1,131.118m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the Border to Coast UK Equity Fund; the Border to Coast Global Equity Alpha Fund; the Border to Coast Multi-Asset Credit (MAC) fund, shown as 'Fixed income funds'; and the Border to Coast Overseas Developed Listed Equity fund. In addition to this, the Fund has invested in a number of private market investments managed by BCPP (infrastructure, private equity, and private credit). For a summary of the Fund's total investments with BCPP please refer to **Note 10(a)**.

The Fund's second largest manager holding is the unitised insurance policies with Legal and General totalling £617.380m, shown in the table categorised into the underlying asset types. These unitised, index-tracking (passive) 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 i.e. fixed interest gilts and equity.

The Fund holds a portfolio of private market investments (infrastructure, private equity, long-lease property, private debt and multi-asset credit funds) which are investment vehicles for collective investment such as limited partnerships and are shown as 'Other Pooled Funds and Limited Partnerships' in the table. The Fund is increasing its investment into private markets with the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,174.556m at 31 March 2023.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2022		31 March 2023	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	657,893	19.9%	682,461	21.6%
Border to Coast UK Equity Fund	Equities	166,649	5.0%	149,663	4.7%
Border to Coast Overseas Developed Eq	Equities	153,626	4.6%	152,081	4.8%
Border to Coast Multi Asset Credit Fund	Multi Asset Credit	151,951	4.6%	146,913	4.7%
Border to Coast Cumbria LP	Infrastructure Funds	70,791	2.1%	123,900	3.9%
Border to Coast Cumbria LP	Private Equity Funds	66,642	2.0%	108,212	3.4%
Border to Coast Cumbria LP	Private Credit Funds	7,786	0.3%	51,859	1.7%
	Managed by BCPP Pool	1,275,338	38.5%	1,415,089	44.8%
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	558,368	16.9%	444,547	14.1%
Legal & General	Global equities	184,315	5.6%	172,833	5.5%
Legal & General	Passive currency overlay	(4,142)	-0.1%	0	0.0%
JP Morgan	Infrastructure	167,371	5.1%	179,541	5.7%
Aberdeen Standard Investments	Direct property	211,424	6.4%	159,654	5.1%
Partners Group	Private Market Credit	102,360	3.1%	124,498	3.9%
Apollo	Multi Asset Credit	152,458	4.6%	113,223	3.6%
Strategic cash allocation	Cash	71,843	2.2%	74,712	2.4%
Partners Group	Infrastructure	64,552	1.8%	70,149	2.2%
Pantheon	Private Equity Funds	64,717	2.0%	70,075	2.2%
Healthcare Royalty Partners	Royalties Fund	43,341	1.3%	51,210	1.6%
Barings	Private Loan Fund	48,465	1.5%	44,703	1.4%
Aberdeen SL Capital	Private Equity Funds	31,510	1.0%	41,717	1.3%
Aberdeen SL Capital	Infrastructure	35,737	1.1%	41,146	1.3%
Aviva	Property Fund	43,988	1.3%	36,989	1.2%
Unigestion	Private Equity Funds	43,763	1.3%	36,343	1.2%
M&G	Property Fund	43,255	1.3%	33,057	1.0%
CQS	Multi Asset Credit	120,854	3.7%	29,256	0.9%
Hearthstone	Residential Property Fund	4,997	0.1%	16,396	0.5%
BlackRock	Private Equity Funds	4,452	0.1%	2,283	0.1%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Transition residual, tax accruals	Overseas/UK equities	316	0.0%	406	0.0%
PIMCO	Multi Asset Credit	28,821	0.9%	0	0.0%
Insight Investments	Fixed income / cash	10,156	0.3%	0	0.0%
M&G	Real Estate Debt	977	0.0%	0	0.0%
	Outside of BCPP Pool	2,035,080	61.5%	1,743,920	55.2%
Total Net Investments		3,310,418	100.0%	3,159,009	100.0%

Border to Coast Pensions Partnership Ltd (BCPP), the company created for the pooling of LGPS investment assets by initially twelve partner funds including Cumbria LGPS, launched its first investment funds in 2018/19. As shown above, the pool currently manages c.45% of Cumbria's investments, i.e. the Border to Coast UK Equity Fund, the Border to Coast Global Equity Alpha Fund, the Border to Coast Overseas Developed Equity Fund, the Border to Coast Multi Asset Credit Fund and the Border to Coast Cumbria Limited Partnership for private market investments in infrastructure, private equity and private credit.

Since 2012, the Fund has been increasing its investment into infrastructure and other private markets in its strategic asset allocation. The drivers for this change are intended to reduce risk by improving diversification and to generate more stable and / or inflation protected income streams.

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31 March 2023 the portfolio valued at £156.540m included 21 properties ranging from £1.925m to £15.300m each. These properties cover a mix of sectors such as offices, industrial, retail units and retail warehouses, and are also geographically spread across England and Scotland. The intention of this diversification is to mitigate risk by enhancing the diversification within this asset class.

Property holdings do not fall into the definition of a financial instrument, therefore are not covered in **Note 11(a)** 'Valuation of Financial Instruments carried at fair value'. However, they are valued at fair value (as detailed in Note 2.9(f)). As these assets are illiquid and prices are not readily quantifiable, they are categorised as level 3 assets in the Fair Value analysis in **Notes 10(f) to (h)**.

'Net rental income from investment property' has been accounted for in the Fund Account under 'Net Investment Income' and is analysed as follows:

	2021/22 £'000	2022/23 £'000
Rental income from investment property	7,681	7,922
Direct operating expenses arising from investment property	(471)	(701)
	7,210	7,221

There are no restrictions on the Fund's ability to realise the value inherent in its investment property or on the Fund's right to the remittance of income and the proceeds of disposal. The properties are held by a wholly-owned nominee company on behalf of the Fund and the Fund is entitled to all income and capital proceeds. The Fund has no contractual obligation to purchase, construct or develop, and the Fund has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

The following table summarises the movement in the fair value of investment properties over the year:

	2021/22 £'000	2022/23 £'000
Balance at the start of the year	176,615	209,300
Additions:		
Purchases	17,123	-
Subsequent expenditure	3,552	979
Disposals	(23,607)	(7,008)
Net gains/(losses) from fair value adjustments	35,617	(46,731)
Balance at the end of the year	209,300	156,540

The Fund's property investments are commercial leased out properties, all of which are operating leases. The future minimum lease payments receivable under non-cancellable leases for these land and buildings in future years are shown as follows:

	2021/22 £'000	2022/23 £'000
Not later than one year	8,055	7,716
Later than one year and not later than five years	26,445	24,697
Later than five years	44,429	40,840
Total future lease payments due under existing contracts	78,929	73,253

To satisfy the requirements of IFRS 9 Credit Losses, an individual targeted assessment has been performed to quantify possible credit losses (or bad debt provisions) on rental income, rather than adopting a matrix based collective assessment. Historical loss rates have been assessed to adjust forward looking information. A combination of the assessment of historic rental payment trends for individual occupiers by the managing agents, with the use of a credit check risk score based on company accounts, payment information and up to date news reports, gives an individual assessment of balances. Where a provision is recommended, it is for 100% of the arrears rather than on a probability-adjusted basis.

The full potential rental income receivable for the properties going forward is currently £7.716m per year, and due to the above targeted and prudent approach to the certainty of payment and bad debt provision, the future lease payments did not need to be reduced by an allowance for expected credit losses to those shown in the above table, for the forthcoming year. To provide context to this, it is worth noting that as at 31

March 2023 the Fund held £0.837m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2023, an allowance of £0.286m for expected credit loss on outstanding rent arrears (which totalled £0.624m as at 31 March 2023), is recognised within the 'Property rental creditors' figure of £3.466m at Note 10. This represents approximately 4.0% of the 2022/23 net rental income of £7.221m. Of the £0.286m allowance for expected credit loss, £0.280m related to a current live lease (approximately 3.9% of the annual rental income). The above disclosures have therefore been adjusted accordingly to remove this lease in full. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

NOTE 10(c): DERIVATIVES

A derivative is a permitted investment under LGPS Investment Regulations. It is a contract between two or more parties whose value is derived from the performance of the underlying asset, for example a currency or an equity index such as the FTSE 100.

One way for pension funds 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.

Until February 2022, Cumbria LGPS had a passive currency overlay programme with 50% of its public equity investments denominated in overseas currencies hedged into sterling. The purpose was to reduce the Fund's exposure to the day to day fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This was carried out using derivatives called forward foreign exchange contracts.

The Fund's passive currency overlay programme on its public equity investments was reduced to nil by July 2022 and instead the Fund will seek to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding the majority of its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes, and maintaining an unhedged public equity exposure (to provide diversification during extreme markets movement).

The Fund had no directly held derivatives on 31 March 2023. The derivatives held by Cumbria LGPS (shown in **Note 10**) can be summarised as follows for 31 March 2022 only:

Reconciliation to Note 10	31 March 2022		
	Investment Asset / Unrealised Gain £'000	Investment Liability / Unrealised Loss £'000	Net Market Value £'000
Total Derivatives			
Forward currency contracts	-	(4,142)	(4,142)
Futures	-	-	-
Derivative Contracts Gain/(Loss)	-	(4,142)	(4,142)

The open forward foreign exchange contracts as at 31 March 2022 can be summarised as follows:

Currency Bought		Currency Sold		2021/22	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
Settlement one to six months GBP	162,991	USD	220,000	-	(4,142)
				-	(4,142)
Net forward currency contracts at 31 March 2022					(4,142)

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 if appropriate, 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.

2022/23:

Asset Class	Value at 1 April 2022 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Changes in value during the year £'000	Value at 31 March 2023 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,872,802	78,671	(57,158)	(145,817)	1,748,498
Other Managed funds	1,146,427	227,763	(225,007)	25,373	1,174,556
Property (See Note 10b)	209,300	979	(7,008)	(46,731)	156,540
Derivatives (forward foreign exchange contracts, futures)	(4,142)	20,358	(2,200)	(14,016)	0
	3,225,569	327,771	(291,373)	(181,191)	3,080,776
Cash & cash equivalents	85,614			951	79,636
Amounts receivable for sales	-				-
Investment income accrued	727				406
Property rental debtors	2,219				1,657
Amounts payable for purchases	-				-
Property creditors	(3,711)				(3,466)
Total Net Investments	3,310,418			(180,240)	3,159,009

Analysis of gains/(losses) for the year	2022/23 £'000
Realised - Profit and losses on disposal of investments	14,054
Unrealised - Changes in the market value of investments	(194,294)
	(180,240)

The following table reconciles the movements in investments and derivatives for the previous year.

2021/22:

Asset Class	Value at 1 April 2021	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Changes in value during the year	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,720,580	318,414	(308,082)	141,890	1,872,802
Other Managed funds	1,082,003	276,441	(283,176)	71,159	1,146,427
Property (See Note 10b)	176,615	20,675	(23,607)	35,617	209,300
Derivatives (forward foreign exchange contracts, futures)	(115)	26,774	(20,659)	(10,142)	(4,142)
	2,980,265	642,304	(635,524)	238,524	3,225,569
Cash & cash equivalents	81,747			1,169	85,614
Amounts receivable for sales	-				-
Investment income accrued	2,105				727
Property rental debtors	2,932				2,219
Amounts payable for purchases	-				-
Property creditors	(3,810)				(3,711)
Total Net Investments	3,063,239			239,693	3,310,418

Analysis of gains/(losses) for the year	2021/22 £'000
Realised - Profit and losses on disposal of investments	162,274
Unrealised - Changes in the market value of investments	77,419
	239,693

NOTE 10(e): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE FUND

It is a requirement of the Pensions Statement of Recommended Practice (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 occurrences of this within the Cumbria Fund in 2022/23 is one of the four pooled sub-funds managed by BCPP, the two unitised insurance funds held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2022 £'000	% of Total Net Investments	31 March 2023 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - UK Equity	166,649	5.0%	149,663	4.7%
Border to Coast Pension Partnership Ltd - Global Equity Alpha	657,893	19.9%	682,461	21.6%
Investments over 5% managed by Border to Coast	824,542	24.9%	832,124	26.3%
Legal and General Over 5 Yr Index-Linked Gilts Index	558,368	16.9%	444,547	14.1%
Legal and General FTSE World Equity Index	184,315	5.6%	172,833	5.5%
Investments over 5% managed by Legal and General	742,683	22.5%	617,380	19.6%
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	167,371	5.1%	179,541	5.7%
	1,734,596	52.5%	1,629,045	51.6%

NB: Due to the removal of Apollo Total Return and PIMCO Diversified Income funds for comparator purposes, the totals no longer agree to the number stated in this note in the prior year accounts.

During the year Cumbria LGPS withdrew £24m from the BCPP UK Equity fund and £10m from L&G FTSE World Equity fund to address an overweight position which had developed due to growth in equity in the Fund, this was used to both rebalance into index-linked gilts and to make investments in private market assets.

The Legal and General holdings are unitised, index-tracking funds and are used as an efficient liquid 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.

NOTE 10(f): FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Description of Asset/Liability	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
LEVEL 1			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
LEVEL 2			
Forward foreign exchange derivatives*	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled investments - unitised funds with underlying assets in quoted equity (UK or overseas), quoted fixed income, index-linked gilts or cash	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Not required
LEVEL 3			
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers CBRE Ltd in accordance with the <i>RICS Valuation Global Standards</i> (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unquoted multi-asset credit)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund'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.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

* Futures, Derivatives and Options can be either Assets or Liabilities

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 investments are likely to

be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2023.

Fair Value – Sensitivity of Asset values at Level 3

	Assessed valuation range (+/-)	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	9.1%	414,735	452,476	376,994
Private market funds - Private Equity	10.1%	309,840	341,134	278,546
Private market funds - Private Debt	5.7%	221,060	233,660	208,460
Private market funds - Multi Asset Credit	6.0%	142,479	151,028	133,930
Property - direct and pooled funds	16.2%	242,982	282,345	203,619
Total		1,331,096	1,460,643	1,201,549

Further details on estimates and sensitivities of values are set out in **Note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

Potential price changes are determined based on the observed historical volatility of the Fund's own asset class returns. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between April 2020 and March 2023, which included significant volatility related to COVID-19 and Russia's invasion of Ukraine, and also a period of high inflation, have all been included in the 3 year period being assessed to develop the volatility percentages. This volatility can be applied to the investment assets of the Fund at the period end in the above table to show the potential increase and decrease of value.

NOTE 10(g): FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

To show the liquidity of the assets the Fund holds, under IFRS the valuation of investments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The aim being to show 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 assessment is subjective. As with any assessed additional investment risk investors should expect to be rewarded for illiquidity through higher investment returns.

To ensure that it continues to meet its funding target the Fund seeks to generate excess returns on investments at an acceptable level of risk. To do this the Fund diversifies across asset classes, managers and products, making use of its strong covenant as an open Public Sector Pension Scheme. As such it can take advantage of the potentially higher 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 benefit of it to the Fund, merely how readily it can be realised as cash if required.

Level 1: 3% of Total Investments (2021/22: 2%)

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 are mainly quoted equity shares, quoted fixed interest securities, quoted index linked securities, cash and unit trusts that can be freely traded in active markets.

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets carrying the lowest valuation and liquidity risk.

Level 2: 55% of Total Investments (2021/22: 57%)

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value, the techniques used are based significantly on observable market data.

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.

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: 42% of Total Investments (2021/22: 41%)

Assets and liabilities at level 3 are those where quoted market prices are not available and at least one input that could have a significant effect on the valuation is not based on observable market data.

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.

Such investments include unquoted equity investments, limited partnerships and property, 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 2.9 (c), (d) and (f). 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 the Fund.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. Those current & long term assets/liabilities detailed in **Note 10** Investment

Assets which are not measured at ‘fair value through profit and loss’ have not been included in this or the following table.

	31 March 2022				31 March 2023			
	Quoted market price	Using observable inputs	With significant unobservable inputs	Total	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000
Financial assets at fair value through profit and loss								
Unquoted Equities (shares in BCPP Ltd)	-	-	1,182	1,182	-	-	1,182	1,182
Pooled Investments	-	1,872,802	1,146,427	3,019,229	-	1,748,498	1,174,556	2,923,054
Derivative contracts	-	0	-	0	-	-	-	-
Cash & cash equivalents	79,128	10,156	-	89,284	82,309	-	-	82,309
Total Financial assets at fair value through profit and loss	79,128	1,882,958	1,147,609	3,109,695	82,309	1,748,498	1,175,738	3,006,545
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	209,300	209,300	-	-	156,540	156,540
Financial liabilities (Derivative contracts) at fair value through profit and loss	-	(4,142)	-	(4,142)	-	-	-	0
Total Investments at Fair Value	79,128	1,878,816	1,356,909	3,314,853	82,309	1,748,498	1,332,278	3,163,085
Percentage of Total Investments	2%	57%	41%	100%	3%	55%	42%	100%

NOTE 10(h): RECONCILIATION OF FAIR VALUE MEASUREMENT WITHIN LEVEL 3

The following table sets out the reasons for movement in the valuations within the Fund’s assets categorised at level 3. More information regarding transfers is provided below the table as appropriate. Unrealised and realised gains and losses are recognised in the ‘profit and losses on disposal and changes in market value of investments’ line of the Fund Account.

Period 2022/23	Market value 1 April 2022 £'000	Transfers into level 3 £'000	Transfers out of level 3 £'000	Purchases during the year and derivatives payments £'000	Sales during the year and derivatives receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2023 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,146,427	-	-	227,763	(225,007)	17,855	7,518	1,174,556
Investment Properties	209,300	-	-	979	(7,008)	3,153	(49,884)	156,540
	1,356,909	-	-	228,742	(232,015)	21,008	(42,366)	1,332,278

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 Fund can be classified as Financial Instruments and Investment Property as follows:

	31 March 2022 £'000	31 March 2023 £'000
Financial Instruments	3,104,356	3,004,115
Statutory debts / liabilities & provisions	4,059	2,660
Investment Property	209,300	156,540
Net Assets of the Fund	3,317,715	3,163,315

NOTE 11(a): CLASSIFICATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following table analyses the carrying amount of financial instruments by category and net asset statement heading. Money market funds totalling £67.971m within the 'Cash and cash equivalents' category at 31 March 2022 were reclassified as 'fair value through profit and loss' from 'assets at amortised cost' due to IFRS9. No other financial instruments were reclassified during the accounting period to 31 March 2023.

	31 March 2022				31 March 2023			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	3,019,229	-	-	3,019,229	2,923,054	-	-	2,923,054
Derivative contracts	-	-	-	-	-	-	-	-
Cash & cash equivalents	78,127	11,157	-	89,284	73,219	9,090	-	82,309
Investment receivables/debtors	-	2,946	-	2,946	-	2,063	-	2,063
Current & long-term assets	-	648	-	648	-	341	-	341
	3,098,538	14,751	-	3,113,289	2,997,455	11,494	-	3,008,949
Financial Liabilities								
Derivative contracts	(4,142)	-	-	(4,142)	-	-	-	-
Investment payables/creditors	-	-	(3,711)	(3,711)	-	-	(3,466)	(3,466)
Current/long-term liabilities	-	-	(1,080)	(1,080)	-	-	(1,368)	(1,368)
Total Financial Instruments	3,094,396	14,751	(4,791)	3,104,356	2,997,455	11,494	(4,834)	3,004,115
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	208,218	-	-	208,218	(133,509)	-	-	(133,509)
Financial Liabilities	(4,142)	-	-	(4,142)	-	-	-	-
Total Net Gains/(Losses)				204,076				(133,509)

The values shown in the above table for 'Assets at amortised cost' and 'Financial liabilities at amortised cost' are equivalent to the fair value.

NOTE 12: 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 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2022 £'000	31 March 2023 £'000
Cash balances	3,670	2,673
Current Debtors		
Contributions due	4,392	3,073
Miscellaneous	1,068	750
Total Current Debtors	5,460	3,823
Total Current Assets	9,130	6,496

Cash balances held by the Administering Authority are variable as the need arises to have cash available for pension payments and deployment into new investments.

Contributions due at 31 March vary from year to year, depending on the actual dates that payments are made by employers in respect of contributions and in settlement of invoices.

NOTE 13: 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 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2022 £'000	31 March 2023 £'000
Current Creditors		
Investment Managers fees	215	316
Tax payable	753	822
Miscellaneous	865	1,052
Total Current Liabilities	1,833	2,190

NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund 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 Fund's exposure.

The following table presents a summary of financial risks to provide an overview of the different types of risks that apply to the asset categories held by the Fund, with the corresponding values of those assets to provide context. The darkness of each marker against the asset categories indicates the varying degree to which the respective risk affects the different assets and thereby allow for comparison.

Summary of Financial Risks	Credit Risk	Market Risk				2021/22 £'000	2022/23 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	●	●	●	○	●	167,831	150,845
Overseas Equities	●	●	●	○	●	995,834	1,007,375
Index Linked Gilts	○	○	●	○	●	558,368	444,547
Property *	●	○	●	●	●	209,300	156,540
Alternative Investments	●	●	●	●	●	1,298,378	1,321,469
Derivatives**	●	●	○	○	●	(4,142)	-
UK Cash	●	○	●	○	●	81,125	73,081
Overseas Cash	●	●	●	○	●	8,159	9,228
Total Investments at Fair Value						3,314,853	3,163,085

Overall Procedures for Managing Risk

The principal powers under which a LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016¹ and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Fund. These regulations require the Fund to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Fund Policy Document and can be found on-line on the Cumbria Pension Fund website under ‘Forms and Publications / Policies’.

With regards to investing, to minimise risks in this area the Administering Authority’s risk management procedures focus on the unpredictability of financial markets, implementing operating restrictions on managers and diversification across the managers and asset classes within the portfolio.

The Fund annually reviews its 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. These are detailed in the Fund’s Investment Strategy Statement which was last reviewed in March 2023.

The Investment Strategy Statement (ISS) and the Cash Investment Policy can both be found in the Fund Policy Document published on-line, on the Cumbria Pension Fund website under ‘Forms and Publications / Policies’.

The Fund keeps its Investment Strategy under continual review. Local Government Pension Schemes have a long term liability profile, and their investment strategy should be undertaken with a view to matching this. Switching asset allocations is expensive, resource intensive and time consuming. While conducting an annual review to keep abreast of trends in market conditions and liability profiles (e.g. discounted

¹ Implemented in November 2016 to update the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009.

future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-5 years.

A full Strategic Investment Review was undertaken in 2019/20 following the results of the Triennial Actuarial Valuation of the Fund, which reported a 98.9% funding level (as at 31 March 2019). In the following two years, with the impact of the pandemic on global investment markets increasing the risk of the Fund achieving lower investment returns than those reflected in the Actuary's assumptions, the Fund undertook a further review of its Investment Strategy to assess and react to the impact this could have on employer contributions in future years. This gave a longer-term target strategic allocation - an evolution of the Fund's strategy from the 2019 position - which was agreed at Pensions Committee in March 2021. In addition, follow up work regarding implementation steps to achieve the longer-term allocation was considered by the Investment Sub-Group and Pensions Committee in late 2021 and early 2022 and, as noted below, a further "sense check" of the Strategy was undertaken in mid-2022 in response to rising inflation. Undertaking reviews to continually evolve the strategy, ensures the Fund fully considers the risk being taken within the investment portfolio, and therefore challenges its ability to meet the Actuarial objectives of the Fund.

The other key elements considered in the Strategy Review, and in the design of the Fund's strategic asset allocation, were:

- Return generation – the Fund needs to continue to generate sufficient return to meet its liabilities.
- Stability for employers - a strategy needs to deliver both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels which are therefore more vulnerable to sudden changes in employer contributions.
- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility, however the Fund recognises that, as part of its diversified portfolio, it requires allocations to assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.

N.B. in recognition of rises in inflation in both the UK and globally the Fund undertook a "sense check" of the Fund's Investment Strategy to assess whether any changes were required in response to the impact of inflation on both the Fund's liabilities and the Actuary's assumptions in relation to the future investment returns of the current Investment Strategy. The conclusion in September 2022 was that no changes to the Fund's long-term asset allocations were required.

- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium.

The targeted investment asset allocation is specified in the Fund's Investment Strategy Statement, which has been agreed by the Pensions Committee, and also includes a section detailing the Fund's Investment Beliefs.

The Pensions Committee review the total Fund investment performance against its bespoke total benchmark return. Individual managers' performance is monitored by the Investment Sub-Group and reported by exception to the Pensions Committee quarterly, enabling Committee time to focus on more strategic issues such as risk and wider governance. Performance of the external Investment Managers is compared to both benchmark and target returns, and against a wider set of metrics. The Investment Sub-Group and associated governance processes have been developed and strengthened over the 10 years it has been in place. The process continues to evolve as the Fund continues to enhance its governance and monitoring.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent investment advisors and / or consultants to ascertain managers' risk control, audit and monitoring procedures.

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 Fund'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. Consequently, the risk of loss is implicitly provided for in the carrying values of the Fund'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 Fund has had no experience of default or uncollectable deposits over recent years.

Through review of annual internal control reports from the Fund's external Investment Managers the Fund monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Fund.

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 BCPP's stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Fund's cash and cash-like holdings as at 31 March 2023 were £2.673m (2021/22: £3.670m) within current assets (see **Note 12**), and £79.636m (2021/22: £85.614m) shown as cash and cash equivalents within investments (see **Note 10**). These funds were held in cash awaiting drawdowns for new investments. The credit ratings of the accounts and funds were as follows:

Cash and Cash Equivalents	Rating at 31 March 2023	Balances as at 31 March 2022 £'000	Balances as at 31 March 2023 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	62,748	65,456
Northern Trust USD Liquidity Fund	AAA	4,588	5,099
Northern Trust EUR Liquidity Fund	AAA	635	2,664
Bank deposit accounts			
National Westminster Bank	A+	3,670	2,673
Bank current accounts			
Barclays Bank	A+	3,616	4,924
Northern Trust Company (GBP)	AA	936	28
Northern Trust Company (USD, EUR)	AA	2,881	1,465
State Street Bank (CHF)	AA	46	-
State Street Bank (EUR)	AA	8	-
Cash Equivalents - Fixed income funds			
Insight Liquidity Plus fund	AAAf/S1	10,156	-
Total		89,284	82,309

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk reflects interest rate risk, currency risk and other price risks.

The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term.

To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. Details can be found in the Fund's Investment Strategy Statement (ISS). The Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. 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 / political regions within each asset class.

Mitigation against market risk is also achieved by diversification across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Fund. 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 Fund and, amongst other things, further reduce the Fund’s overall market risk, the Investment Strategy includes private market asset classes (e.g. infrastructure, real estate debt, private equity secondary funds, royalties, private market loans) which the Fund is now investing in.

Market Risk – Sensitivity Analysis

The Fund’s funding position is sensitive to changes in market prices (which affect the net assets available to pay benefits) and the Consumer Price Index (CPI) (which affect the value placed on the Fund’s liabilities). The valuation of liabilities is based on a CPI+ model in the actuarial valuation.

Potential price changes are determined based on the observed historical volatility of the Fund’s own asset class returns. Historical evidence suggests that ‘riskier’ assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between March 2020 and March 2021 as well as January 2022 to March 2022, which included a significant portion of the volatility related to COVID-19 and Russia’s invasion of Ukraine respectively have been included in the 3 year period being assessed, to develop the volatility percentages. This volatility can be applied to the investment assets of the Fund at the period end in the following table to show the potential increase and decrease of value.

Market Risk - Sensitivity Analysis	2022/23 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,158,220	14.0%	1,320,371	996,069
Index Linked Gilts	444,547	16.6%	518,342	370,752
Infrastructure Funds	414,735	9.1%	452,476	376,994
Private Equity Funds	309,840	10.1%	341,134	278,546
Private Debt Funds	221,060	5.7%	233,660	208,460
Multi Asset Credit Funds	289,392	6.0%	306,756	272,028
Property and Property Funds	242,982	16.2%	282,345	203,619
Cash	82,309	2.4%	84,284	80,334
	3,163,085		3,539,368	2,786,802

Foreign Exchange Risk

The Fund 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 31 March 2023, the Fund had overseas investments of £1,703.856m and £9.228m cash denominated in currencies other than sterling.

To assess the risk the Fund is exposed to as a result of holding these currencies, taking into account information provided by Pensions & Investment Research Consultants Ltd (PIRC), it is considered that the movements shown below are a reasonable measure to apply to the currencies. The potential volatilities represent a one standard deviation movement in the volatility of currencies over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between March 2020 and March 2021 as well as January 2022 to March 2022, which included a significant portion of the volatility related to COVID-19 and Russia’s invasion of Ukraine respectively have been included in the 3 year period being assessed to develop the volatility percentages.

The impact of these movements in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £128.117m, or 4.1% of the Fund’s total value.

Foreign Exchange - Sensitivity Analysis	2022/23 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,058,088	9.1%	1,154,374	961,802
European currency denominated assets	365,615	5.3%	384,993	346,237
Other currency denominated assets	197,669	6.3%	210,122	185,216
UK assets within Global equity funds	91,712	0.0%	91,712	91,712
	1,713,084		1,841,201	1,584,967

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’s to hedge some of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset. As such, during the most recent Investment Strategy Review the Fund’s approach to hedging was reviewed.

As reported in the Financial Statements for 2021/22 the conclusion of this review was that the Fund should no longer hedge 50% of its public equity investments denominated in overseas currencies but instead hold its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes where possible.

The ‘unwinding’ of the Fund’s use of foreign exchange derivatives and the move to holding the majority of the Fund’s more stable contractual mandates in sterling share classes was undertaken in stages between February and July 2022. As at 31 March 2022, the Cumbria Fund had a remaining hedge in place for one infrastructure fund investment denominated in US dollar currency, hedged into sterling in accordance with a passive currency overlay program, until the planned transfer into a GBP share class. This was reduced to nil by July 2022 (see **Note 10(c)**).

Interest Rate Risk

The Fund 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 UK Bank Rate had been 0.75% in March 2022, and was increased on eight occasions in the twelve months, to 4.25% in March 2023. The real interest rate risk is that rates will rise further, causing the value of bonds and bond funds to fall.

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.75% change in interest rates (which would bring the base rate up to 5.0%) will increase or reduce the Fund's return by £3.951m (2021/22 £4.857m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2022 £'000	31 March 2023 £'000
Fixed interest securities (including pooled investments)	558,368	444,547
Cash and cash equivalents	21,313	9,090
Money market funds and pooled cash vehicles	67,971	73,219
	647,652	526,856

Liquidity Risk

Liquidity Risk is the risk that the Fund will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Fund is not having monies available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered.

As part of both the Triennial Valuation and the investment reviews, Fund membership and projected maturity profiles are reviewed. Currently the Fund is cash positive (i.e. it collects more in annual income from contributions and investments than it requires to fulfil all obligations).

In 2022/23, as in past years, the Fund experienced a contribution cash deficit, i.e. the income received from contributions from members and employers was less than payments paid to members.

On advice from the Fund's Actuary it is projected that the Fund will remain cash positive (including yield from investments) for the medium term. However, this will be kept under active review and reassessed in the next Actuarial Valuation.

Note 10(g) explains the Fair Value hierarchy and how the Fund holds a large value of very liquid securities which could be promptly realised if required (levels 1 and 2). As at 31 March 2023 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,830.807m, i.e. 58% of net assets (31 March 2022 £1,957.944m, 59%). The value of the illiquid assets including investment properties was £1,332.278m which represented 42% of net assets (31 March 2022 £1,356.909m, 41%).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Fund's investments in unitised pooled funds are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

A maturity analysis for investment liabilities for 2021/22 (all of which were derivatives) is shown in **Note 10(c)** there are no investment liabilities for 2022/23. The current liabilities of the Fund (see **Note 13**) are all due within 12 months from the Net Assets Statement date. The Fund has no long term liabilities over 12 months.

Counterparty Risk

The principal mitigation of the counterparty risk on investment assets including foreign currency trades 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 advisors and investment managers as part of the oversight of risks. Subject to overriding requirements as the Fund's fiduciary agent to demonstrate 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, and
- the bank's position in the market for sourcing Private Finance Initiative (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 in a deal they traded. As part of the manager's credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis.

Settlement Risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund 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. Investment managers usually apply 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. £4.142m loss on the currency derivatives at 31 March 2022 only, there are no investment liabilities as at 31 March 2023 (see **Note 10c**).

Unquoted Investments

The Fund holds significant amounts of unquoted securities; and has increased since the pooling of investment assets in the LGPS and the creation of the BCPP pool to do so. It is also 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 liquid 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 Fund has allocations to unquoted pooled investment vehicles including infrastructure, pooled property funds, private loan funds and other pooled investments. These provide an efficient method of accessing exposure to these assets for a fund of Cumbria's size.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March. Unquoted pooled 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 Fund as clients.

The unquoted investments held at 31 March 2023 are as follows:

Asset Class	2021/22 £'000	2022/23 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,130,119	1,131,118	Border to Coast	UK, Overseas and Global equity funds, fixed income multi-asset fund
	70,791	123,900	Border to Coast Cumbria LP	Infrastructure Funds
	66,642	108,212	Border to Coast Cumbria LP	Private Equity Funds
	7,786	51,859	Border to Coast Cumbria LP	Private Credit Funds
Unitised insurance policies	742,683	617,380	Legal and General	Index tracking funds
Other managed funds	167,371	179,541	JP Morgan	Infrastructure
	102,360	124,498	Partners Group	Private Market Credit
	152,458	113,223	Apollo	Multi Asset Credit
	64,552	70,149	Partners Group	Infrastructure
	64,717	70,075	Pantheon	Private Equity Funds
	43,341	51,210	Healthcare Royalty Partners	Royalties Fund
	48,465	44,703	Barings	Private Loan Fund
	31,510	41,717	Aberdeen SL Capital	Private Equity Funds
	35,737	41,146	Aberdeen SL Capital	Infrastructure
	43,988	36,989	Aviva	Property Fund
	43,763	36,343	Unigestion	Private Equity Funds
	43,255	33,057	M&G	Property Fund
	120,854	29,256	CQS	Multi Asset Credit
	4,997	16,396	Hearthstone	Residential Property Fund
	4,452	2,283	BlackRock	Private Equity Funds
	28,821	-	PIMCO	Multi Asset Credit
	10,156	-	Insight Investments	Fixed income / cash
	977	-	M&G	Real Estate Debt
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	3,030,977	2,924,237		

NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of three independent AVC scheme providers. To comply with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the transactions are treated separately to the Fund’s accounts and therefore do not form part of these accounts.

The three providers offered are Prudential Assurance Company, Standard Life and Scottish Widows. The Fund 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. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

The values of the three active schemes for Cumbria LGPS, along with the value of Utmost Life, are shown below:

	2021/22 £'000	2022/23 £'000
Standard Life	882	447
Scottish Widows*	820	820
Utmost Life	411	361
Prudential Assurance Company	2,919	3,997
Total AVCs	5,032	5,625

*Due to Administration issues, Scottish Widows have been unable to provide values as at 31 March 2023, the value for 2022/23 in the above table is a carry forward of the 2021/22 valuation.

As part of the Prudential update the Fund were advised of a slight adjustment to the value of £2.916m at 31 March 2022 published in the 2021/22 accounts. The revised value for 31 March 2022 is £2.919m (shown in the table below) which then links to the current year table shown above.

	2020/21 £'000	2021/22 £'000
Standard Life	921	882
Scottish Widows	795	820
Utmost Life	456	411
Prudential Assurance Company	2,055	2,919
Total AVCs	4,227	5,032

AVC contributions of £1.461m were paid from employees to the providers during the year, including those to Prudential Assurance Company (£0.012m excluding those to

Prudential Assurance Company). During 2021/22 the contributions paid by employees including to Prudential Assurance Company totalled £1.082m (£0.053m excluding those to Prudential Assurance Company).

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 taking a lump sum payment, buying an annuity or transferring the investment into the main Scheme. 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 Fund has many transactions with Cumbria County Council as the Administering Authority of the Fund, including the pension contributions as an employer, payments on the Fund'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 Fund has not, for example, invested in schemes of economic regeneration sponsored by any of the employing bodies including the Council.

There are normal transactions with all the employers who have members in the Fund, 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.

Border to Coast Pension Partnership Ltd (BCPP)

As indicated in Note 22, in 2017/18 the Fund became a partner in BCPP as its chosen route to pool investment assets across the LGPS. BCPP is the organisation set up to run pooled LGPS investments for the Fund and initially 11 other Pension Funds. The company is a private limited company limited by shares and its company number is 10795539. BCPP was incorporated in May 2017 and initially issued 12 £1 A Ordinary shares. There are now 11 £1 A Ordinary shares in issuance following the merger of two of the founding members of the BCPP (Northumberland County Council Pension Fund and Tyne and Wear Pension Fund) in 2020/21. The shares have full voting rights, dividend and capital distribution rights. Cumbria County Council as Administering Authority for the Cumbria Local Government Pension Scheme holds £1 of A Ordinary share capital. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

There are no material transactions in respect of related parties requiring separate reporting for 2022/23.

Senior employees of the main Employer organisations within the Cumbria Local Government Pension Scheme (LGPS), Members of the Cumbria Pensions Committee and Cumbria Local Pension Board, and senior officers with significant influence on the Fund were asked to complete a declaration on related parties. An examination of the returns for 2022/23 reveals that there were no material transactions between the members/officers and their families affecting involvement with the Fund. Each member of the Pensions 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 the main employer organisations, and the aim is for receipt of returns to cover at least 85% of the active membership. This target has been exceeded in 2022/23, with 90% coverage.

Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit (England) Regulations 2015) satisfy the key management personnel disclosure requirements of paragraph 17 of IAS 24. This applies equally to the accounts of Cumbria Local Government Pension Scheme.

The Fund does not employ any staff directly. Cumbria County Council employed the staff involved in providing the duties of the Administering Authority (excluding the pensions administration service which is provided by 'LPPA') for the Fund. 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 2022/23 (see Note 14 to those statements).

In the interests of transparency, the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Cumbria County Council and elected Members who have responsibility of the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons.

Notes on below table:

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.
- Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2022/23 the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2022/23.
- Cumbria County Council's Employer's Future Service Rate – LGPS 18.4% (current service cost).
- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Fund is therefore charged by Cumbria County Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2022/23 on Cumbria LGPS specific work.

- During 2022/23 the Director of Finance (S151) of Cumbria County Council of the Fund left and was replaced by an interim Acting Director of Finance (S151). Costs for the Acting Director of Finance were paid to an employment agency and therefore the Officer did not meet the definition of an employee of the Council. The cost attributable to the Pension Fund for the interim Acting Director of Finance (S151) in 2022/23 was £5,003 and is noted for completeness only.
- During 2022/23, in addition to the Remuneration of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS, one officer (1FTE) (2021/22:1FTE) received remuneration (excluding pension contributions) in the £55,000 - £59,999 range however the remuneration (excluding pension contributions) of this Officer in respect of work undertaken on behalf of the Fund was less than £50,000 during the year.
- From May 2017, the Chair of the Cumbria Pensions Committee has been entitled to a special responsibility allowance. In 2022/23 this allowance was £7,502. This cost is charged to Cumbria LGPS.
- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

2022/23 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Director of Finance (S151 Officer) – P. Duke	10,472	10,472	1,877	12,349
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	51,376	51,376	11,929	63,305
	61,848	61,848	13,806	75,654

2021/22 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Director of Finance (S151 Officer) – J. Crellin	2,642	2,642	486	3,128
Director of Finance (S151 Officer) – P. Duke	10,105	10,105	1,859	11,964
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	47,053	47,053	14,657	61,710
	59,800	59,800	17,002	76,802

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2023.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Fund has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. 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.

Historically, there have been some notable court cases such as *Manninen and Fokus*, *EU Commission v Germany*, *Santander*, and *EU Commission v Portugal* initially added to the strength of the argument, however more recent developments outlined below have been less favourable and have prompted Officers to question Cumbria's commitment to continue in the group litigation when the overall chance of success for these claims appears diminished.

During 2022/23 the Fund received updates from the leading professional services firm, acting on behalf of the Cumbria Fund, detailing developments in the various cases and providing an updated assessment of the prospects of a successful claim as detailed below.

- **FIDs/Manninen:** The Fund received a refreshed Opinion from Counsel, which lowered the prospects of success for the FID's Manninen claims, indicating a number of claimants had withdrawn from the group litigation, including the test claimant. As no new test claimant came forward the group litigation needed to be disbanded, and this process is now underway. Cumbria Pension Fund has reached its cost cap and will not be required to contribute to any adverse costs
- **Manufactured overseas dividends (MODs):** The UK Supreme Court (UKSC) issued its unanimous judgement on 27 April 2022 which found in favour of HMRC, overturning previous favourable decisions. The Group litigation for Manufactured Overseas Dividend (MODs) claims was later disbanded after all participants including Cumbria Pension Fund indicated their wish to withdraw the claims. There is no cost cap in this case and the Fund has recently been advised of its share of costs.
- **Fokus Bank:** There were no repayments during 2022/23, although the Fund has received £0.271m of income in previous years. The leading professional services firm, acting on behalf of the Cumbria Fund has reported in respect of the Fokus Bank claims that the French Tax Authority (FTA) and the German Central Tax office are now actively addressing claims and have started issuing information requests to claimants. Work is ongoing by officers in the Cumbria

Fund to establish the availability and cost of providing any requested historic data. These are now the only claims in which the Fund remains an ongoing participant.

The estimated value of claims still outstanding at 31 March 2023 was £0.868m (value in GBP), which relates to the Fokus Bank claims only.

The fees incurred to date for all of the outstanding tax claims mentioned above total £0.515m 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 Fund uses Institutional Protection Services Ltd to monitor these class actions. The Fund will seek to recover any significant monies due where professional advice has been received detailing that the probability of success is believed to outweigh the additional cost of doing so.

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2022/23 are considered to be recoverable with no further impairment beyond the existing provision for credit losses or bad and doubtful debts.

There were no impairments of investments during 2022/23.

Financial Assets That Are Past Due As At 31 March But Not Impaired:

The Fund generally allows a payment period of 30 days. Included within the £3.823m (£5.460m at 31 March 2022) of current debtors (see **Note 12**) is £0.011m of debtors aged between two and six months (£0.163m at 31 March 2022) and £0.029m of debtors aged greater than six months (£0.053m 31 March 2022).

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). The stock lending program was wound down in 2020/21.

Within the BCPP UK and Global equity sub-funds that the Fund has subscribed to, BCPP actively participates in stock lending and the income from this forms part of the return on the holding. Legal and General also operate a stock lending programme in selective overseas equity markets under strict conditions and income from this forms part of the return on the passive global equity holding.

The Fund had no securities on loan at 31 March 2023 and earned no income directly in 2022/23 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

The Russian invasion of Ukraine remains an ongoing issue and the more recent conflict in the Middle East are a focus of instability in financial markets. In addition, whilst interest rate increases and high inflation in the UK continue to affect valuations in index-linked gilt markets, the valuation of these assets has made a modest recovery in the last quarter due to interest rates remaining stable during this period. The impact of these matters on the valuation of the Fund's assets continued to be assessed up until the publication of the audited accounts.

Post year-end volatility across a number of asset classes has led to an overall increase to valuations of the Fund's assets in the following three quarters; as at 31 December 2023 the estimated total Fund value is £3,292m. This represents a 4.1% increase compared to the reported Fund value of £3,163m at 31 March 2023. There have been no material events after the reporting date that are required to be taken into account in the financial statements.

The Fund's Investment Strategy is positioned to absorb downside risk as well as being targeted at achieving long-term stability and asset growth. This is achieved by diversification across the portfolio (e.g. between asset classes, sectors, risk appetite and geographic regions).

Local Government Reorganisation took place in Cumbria on 1 April 2023 and as detailed in Note 1(a), Westmorland & Furness Council became the Administering Authority of Cumbria LGPS, as set out in legislation via a Statutory Instrument. Whilst a significant event for the Fund, there are no financial implications to the Pension Fund arising from this vesting of Administering Authority.

NOTE 22: JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES

In applying the policies, the Fund has had to make certain judgements about complex transactions, or those involving uncertainty. Whilst none are critical judgements those with most significant effect are:

- the wider Local Government Pension Scheme and specifically the functions of the Cumbria Fund will continue in operational existence for the foreseeable future as a going concern;
- and
- the valuation of 'level 3' assets (as described further below).

No investments are impaired (**Note 19**, and further detail on the investment strategy and approach to managing risk in **Note 14**).

Those charged with governance have been provided with further information detailing the use of estimates within these financial statements. This includes the processes and

procedures in place including the risks and associated controls so as to ensure that they understand and are content with the levels of scrutiny and controls in place where estimates are applied. This includes estimates used to determine the value of:

- Level 3 assets (as provided by Investment Managers and the underlying independent valuers (where applicable));
- Property (as provided by an independent property valuer); and
- Historic pension liabilities (as assessed by the Fund’s Actuary).

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:

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	<p>Investments at Level 1 & 2 - 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 and therefore there is not expected to be any material uncertainty of the valuation of these assets.</p> <p>Investments at Level 3 – the hardest to value holdings often do not depend on market forces; but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage.</p> <p>Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.</p>	<p>For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £31.590m, with a decrease having the opposite effect.</p> <p>Level 3 investments including property – often income will be inflation linked e.g. CPI uplifts, based on throughput e.g. power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables, and planning and controlling the outcomes.</p> <p>Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons. For each case the underlying factors would be considered before acceptance or otherwise of the sale.</p> <p>For further information on the Sensitivity of Asset values at Level 3 including property, please refer to Note 10(f). Further information on the sensitivity analysis of market prices for the Fund’s investments (excluding derivatives) is included in the Market Risk section of Note 14.</p>
Pensions Liability (or Surplus)	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.

Item	Uncertainties	Effect if actual differs from assumptions
	For further information on the assumptions contained in the Actuarial valuation, and how sensitive the funding position is to changes in those assumptions, please refer to the published Actuarial Valuation report which is available on the Cumbria Pension Fund website.	For instance: <ul style="list-style-type: none"> • a 0.25% increase in life expectancy would result in a £23m decrease in funding surplus; • a 0.25% reduction in the real investment return achieved would result in a £134m decrease in the funding surplus, or; • a 25% reduction in Asset values would result in a £829m decrease in the funding surplus; as determined at the 2022 valuation.

Investment in the Fund’s asset pooling company – Border to Coast Pensions Partnership Ltd (BCPP) company number 10795539

Cumbria County Council, as Administering Authority for the Cumbria Local Government Pension Scheme, holds ‘A Ordinary’ share capital and class B non-voting shares in BCPP. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts and has been valued at transaction price (i.e. cost, as an appropriate estimate of fair value) as follows:

- The Class A share is valued at £1 and reflects the ownership stake in the company carrying full voting rights, dividend and capital distribution rights; and
- The Class B shares are valued at £1,181,818 and represented the Fund’s contribution to the company’s FCA regulatory capital requirement.

Management have made this judgement using the criteria set out in IFRS 9 Financial Instruments:

- Fair value cannot be otherwise established for these assets as there is currently no market for the shares and no identical or similar market to compare to;
- After two of the pool’s partner funds (Northumberland and Tyne & Wear) merged on 1 April 2020, the obligation to meet the company’s capital requirement were re-allocated between the remaining eleven partner funds. This serves as a precedent that in the event of a future exit from the partnership, the Fund’s shares could be disposed of at cost back to the pool and re-issued to the remaining partners; and
- The first four years of financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost) and there is no intention for the company to generate any material profit and shareholders have agreed that the minimal amount of profit for 2022-23 will be retained, meaning that no dividend to shareholders has been declared and there is no expectation of a future dividend being projected.

The cost of these shares has therefore been determined as a reasonable and appropriate estimate of their fair value.

Directly held property

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants with a variety of rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on an accruals basis, over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

The valuation of 'level 3' assets

Valuations for Private Equity investments are usually received at least a quarter in arrears, and these investments are valued at an estimate to the fair value at 31 March, as best as is available at the time of preparation. For 31 March 2023, the 31 December 2022 valuations have been the latest available for the private equity investments shown at Note 10 (9.9% of the net investments assets), further cash transactions up to 31 March are reflected. Private equity has historically been shown to protect value when public quoted equity falls, which was seen in the final quarter, but to remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value.

Infrastructure investments have been positively impacted overall from rising inflation and power demand, as these include operational and essential assets in renewable and contracted energy, power distribution and utilities. For 31 March 2023, the 31 December 2022 valuations have been the latest available for £193.966m of the infrastructure investments shown at Note 10 (6.1% of the net investments assets), further cash transactions up to 31 March are reflected, but to remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value.

NOTE 23: ACTUARIAL POSITION OF THE FUND

The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

The full Actuarial Valuation Report as at 31 March 2022 and the previous Actuarial Valuation Report as at 31 March 2019 are available on the Cumbria Pension Fund website at www.cumbriapensionfund.org.

The Scheme Actuary is also required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) to present a statement detailing both the actuarial valuation result and the actuarial value of the Fund'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 calculation of the liabilities in compliance with IAS 19 uses different assumptions than those used for the valuation basis. For example:

- The IAS 19 valuation calculates growth on the basis of bond yields at balance sheet date. The actuarial valuation, whilst also based on bond yields at balance sheet date, will generally look to dampen the effect of any perceived short term market volatility on yields (i.e. it takes a ‘smoothing’ approach).
- The IAS 19 valuation calculation requires that all entities assume their pension Fund grows at a standard rate, whereas the actuarial valuation considers the expected investment return of the assets actually held by the Fund, (e.g. IAS 19 requires that all funds use a generic discount rate whereas the discount rate used by the Fund in the actuarial valuation basis reflects the expected investment return based on the unique combination of assets it holds).

The table below details the valuation of the assets and liabilities of the Fund using both the valuation basis and the IAS 19 methodology.

	31 March 2022 £'m	31 March 2023 £'m
Valuation Basis		
Present value of past service liabilities	(3,017)	(2,986)
Net assets of the Fund	3,318	3,163
Net Surplus (Liability)	301	177
IAS 19 Basis		
Present value of past service liabilities	(4,157)	(2,913)
Net assets of the Fund	3,318	3,163
Net Surplus (Liability)	(839)	250

The statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) and in compliance with IAS 26 and on the basis of IAS19 is presented below.



CUMBRIA LOCAL GOVERNMENT PENSION FUND

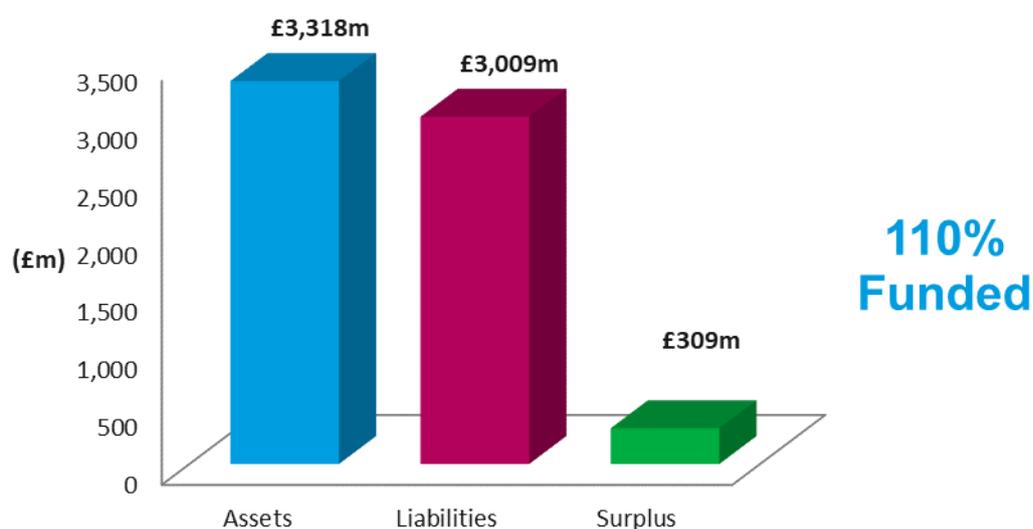
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Cumbria Local Government Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund’s assets of £3,318 million represented 110% of the Fund’s past service liabilities of £3,009 million (the “Solvency Funding Target”) at the valuation date. The surplus at the valuation was therefore £309 million.

Actuarial Valuation as at 31 March 2022



The valuation also showed that a Primary contribution rate of 18.9% of pensionable pay per annum was required from employers. The Primary 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.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus, it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years, and the total initial recovery payment (the “Secondary rate” for 2023/26) was a surplus offset of approximately £2.1m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer’s position is assessed separately, and the contributions required are set out in the 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.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of 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 Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.35% per annum	5.10% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	3.1% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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 as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.8% per annum	4.2% per annum
Increases on pensions (in excess of	3.4% per annum	2.8% per annum

	31 March 2022	31 March 2023
GMP) / Deferred revaluation		

The demographic assumptions are based on those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£4,157m
Interest on liabilities	£115m
Net benefits accrued/paid over the period*	£62m
Actuarial (gains)/losses (see below)	(£1,421m)
End of period liabilities	£2,913m

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a. In combination, these factors lead to a significant reduction in liabilities
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities

- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

Leanne Johnston

**Fellow of the Institute and
and
Faculty of Actuaries**

Mark Wilson

**Fellow of the Institute
Faculty of Actuaries**

**Mercer Limited
May 2023**

Appendix - additional considerations

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

NOTE 24: ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Fund is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted.

There have been no accounting standards issued but not yet adopted that would materially impact on the 2022/23 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2023 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2023 (total 125)		
Scheduled Scheme Employers (13)	Scheduled Bodies - Academies (cont)	Scheduled Bodies No Actives (cont)
Cumbria County Council Allerdale Borough Council Barrow Borough Council Carlisle City Council Copeland Borough Council Eden District Council South Lakeland District Council Cumbria Chief Constable Cumbria Police & Crime Commissioner Furness College Kendal College Lake District National Park Authority Lakes College (West Cumbria)	Furness Education Trust (one employer) Furness Academy Newton Primary Academy (new) Parkside GGI Academy Victoria Primary Academy Yarlsdale Primary Academy George Hastwell School Academy Ghyllside Academy Great Corby Academy James Rennie Academy Kendal MAT - Castle Park Academy Keswick Academy Kirkbie Kendal Academy Kirkby Stephen Academy Learning for Life Trust (one employer) Broughton Primary Academy (merged) Fairfield Primary Academy Lunesdale MAT (one employer) Queen Elizabeth Academy Queen Elizabeth Studio School Mater Christi MAT (one employer) Dean Gibson Catholic Primary Academy Our Lady & St Patrick's Catholic Academy (new) Our Lady of the Rosary Catholic Primary Academy (new) Scared Heart Catholic Primary Academy St Bernard's Catholic High Academy St Cuthbert's Catholic Academy Carlisle St Cuthbert's Catholic Academy Windermere St Gregory's Catholic Primary Academy (new) St Joseph's Catholic High Academy St Margaret Mary's Catholic Academy St Mary's Catholic Primary Academy ULV (new) St Pius X Catholic Primary Academy (new) Queen Elizabeth Grammar Academy Richard Rose Academies Seaton Academy Settlebeck High Academy South Cumbria MAT (one employer) Chetwynd School Academy Ormsgill Nursery & Primary Academy (new) Vickerstown Academy (new) South Westmorland MAT - Dallam Academy Stanwix School Academy Stramongate Academy The Good Shepherd MAT (one employer) Ambleside Primary Academy Braithwaite Primary Academy Dean Academy Ellenborough & Ewanrigg Academy Gilsland Academy Kirkland Academy Lazonby Academy Lorton Academy Penny Bridge Academy (merged) Threlkeld Academy Whitfield Academy Wreay School Academy The Queen Katherine School Academy Trinity Academy Walney Academy	Charlotte Mason College Cumbria Institute of the Arts Cumbria Primary Teacher Training Cumbria Sea Fisheries Dept Constit Affairs (Cumbria Magistrates) Health Authority Millom Town Council Port of Workington Practical Alternatives to Custody (Ltd) Seaton Parish Council Water Authority
Scheduled Resolution Bodies (16)		Admitted Bodies Transferee (17)
Allerdale Waste Services Aspatria Town Council Cleator Moor Town Council Cockermouth Town Council Cumbria Waste Management Egremont Town Council Grange Town Council Kendal Town Council Keswick Town Council Maryport Town Council Orian Solutions Penrith Town Council Ulverston Town Council Whitehaven Town Council Wigton Town Council Workington Town Council		Bulloughs (Caldew Academy) (new) Carlisle Leisure Ltd Carlisle Leisure Allerdale Caterlink - Longtown (new) Caterlink - St Bernard's CHS Caterlink - Thornhill (new) Caterlink - W/Lakes Caterlink - WHT Cumbria Teacher Training (new) Greenwich Leisure (Copeland) Greenwich Leisure (South Lakes) Mellors Catering - Appleby Mellors Catering - Kirkby Stephen People First Priority Facilities (Ashfield Infs) (new) Priority Facilities (St Marys, Work) Tullie House Trust
Scheduled Bodies - Academy Employers (37)	Scheduled Bodies No Actives (12)	Admitted Bodies Community (13)
Appleby Grammar Academy Arnsdale National CofE Academy Bassenthwaite Academy Burton Morewood Primary Academy Caldew Academy Cartmel Priory Academy Cockermouth Academy Crosby on Eden Academy Cumbria Academy for Autism Changing Lives Learning Trust (one employer) Arlecdon Primary Academy Dearham Academy Flimby Primary Academy Thornhill Primary Academy West Lakes Academy Cumbria Education Trust (one employer) Caldew Lea Academy Castle Carrock Academy (merged) Hensingham Primary Longtown Academy Newtown Primary Academy Northside Primary Academy Petteril Bank Academy (new) Tebay Academy The Workington Academy Whitehaven Academy William Howard Academy Yanwath Academy Yewdale Academy Eaglesfield Paddle Academy Energy Coast UTC	Brampton Parish Council	Care Quality Commission Cumbria Cerebral Palsy Cumbria Deaf Vision Eden Housing Association Glenmore Trust Higham Hall Home Group (Copeland) Lakeland Arts Trust Longtown Memorial Hall Community Centre Morton Community Centre Oaklea Trust South Lakes Housing West House
		Admitted Bodies No Actives (17)
		Carlisle Mencap - Huntley Ave Carlisle Mencap - Hart St Cumbria Training Partnership Direct Training Services Egremont & District Pool Trust Harraby Community Centre Henry Lonsdale Trust Kendal Citizens Advice Lake District Cheshire Homes Mellors Catering Services - Rockcliffe NRCS Ltd (Neighbourhood Revitalisation) Project Homeless Soundwave SLS (Cumbria) Ltd - QK SLS (Cumbria) Ltd - StH Troutbeck Bridge Swimming Pool Wigton Joint Burial Committee

APPENDIX: 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 Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Actuarial Valuation – An actuary formally reviews the assets and liabilities of the pension Fund and produces a report on the Fund's financial position.

Additional Voluntary Contributions - Additional Voluntary Contributions, or AVCs, are extra payments to increase future benefits. It is also possible to pay AVCs to provide life cover. All LGPS pension funds have an AVC arrangement. Scheme members can invest money through their AVC provider, which is often an insurance company or building society. AVCs are taken directly from pay and attract tax relief.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain. These bodies can be categorised as Transferee or Community Admission bodies.

Alternatives – Also known as Private Markets – please refer below.

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.

Authorised Contractual Scheme (ACS) – an ACS is a type of structure in which institutional investors (including Pension funds) can hold their pooled investments. The ACS is the investment vehicle chosen by BCPP to hold the public market quoted investments for the twelve partner funds; and provides a tax efficient means for managing all the equity and bonds held by the company.

Auto Enrolment - UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria. The law on workplace pensions has now changed and every employer must comply.

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*).

Beneficiaries (in relation to Stewardship) – In this context we are referring to Scheme Members and Scheme Employers, please see separate definitions below.

Bid price – Price at which a security or unit in a pooled fund can be sold.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

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.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Class Action – An action where an individual represents a group in a court claim. The judgement from the suit is for all the members of the group (class). This is often done when shareholders launch a lawsuit against a company, mainly because it would be too expensive for each individual shareholder to launch their own lawsuit.

Conflicts of Interest - Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. These conflicts are managed through disclosure and with policies and procedures that are designed to protect client’s interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer Price Index (CPI) - The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Coronavirus (COVID-19) – The World Health Organisation (WHO) declared the outbreak of Coronavirus to be a global pandemic on 11 March 2020. Investment markets have seen significant volatility as a result of concerns relating to the Coronavirus Pandemic.

Corporate Governance - The system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Counterparty - The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to go through. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Currency Hedge – This is one way for pension funds to reduce the volatility of their foreign currency exposures, by using derivatives to convert exposures back to the domestic currency.

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.

Deficit recovery period – A reasonable period of time over which a pension fund will aim to repair its funding level to meet its statutory objective of 100% solvency, taking into account employer circumstance where possible.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS, were defined benefit prior to the introduction of the Career Average Revalued Earnings (2014) Scheme.

Defined Contribution – A retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Designated Body – Also known as Resolution body – please refer below.

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 correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Diversified Credit – Also known as Multi Asset Credit – please refer below.

Divestment or divestiture – The reduction of some kind of asset for financial, ethical, or political objective. A divestment is the opposite of an investment. For investors, divestment can be used as a social tool to protest particular corporate policies.

DLUHC – Department of Levelling Up, Housing and Communities, the UK government department with responsibility for Local Government. Formerly called the Ministry of Housing, Communities and Local Government (“MHCLG”).

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation – is a measure of a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments.

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.

Engagement - A series of actions investors can take to reduce environmental, social and governance risks. This can include raising concerns or making proposals about company practices directly to its directors via correspondence, face-to-face meetings, attendance and voting at shareholder meetings.

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.

ESG (Environmental, Social and Corporate Governance) - A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria looks at how a company performs as a steward of the natural environment. Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls, and shareholder rights. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios. See also Socially Responsible investing.

Exchange Traded Fund (ETF) - Fund that tracks an index; but can be traded like a stock.

Fiduciary Duty - A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – Another term for the defined benefit pension schemes where employee benefits are based on the person's final salary when they retire. The LGPS 2014 Scheme has moved from this to a CARE (career average) scheme.

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 fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Futures Contract – A contract that is traded on an organised exchange and subject to rules of the exchange. It is an obligation that the buyer and seller settle the contract through purchase or sale of an underlying asset at the future date.

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.

Governance - The procedures and practice associated with decision-making, performance and control, which provide structures and satisfy expectations of accountability in large, mainly commercial, organisations.

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.

Infrastructure - The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

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.

Joint Committee – this is the term used to refer to the committee of Partner Fund councillors. Its primary purpose is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.

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.

Local Government Reorganisation (LGR) – From 1 April 2023, Cumbria County Council and the six District Councils of Cumbria ceased and were replaced by two new unitary Councils - Cumberland Council and Westmorland & Furness Council. As part of this reorganisation the Administering Authority for Cumbria Pension Fund vested from Cumbria County Council to Westmorland & Furness Council.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Loans and Receivables – are also known as ‘Financial assets held at amortised cost’ in the context of IFRS9 (International Financial Reporting Standards)

Long term cost efficiency – Implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

Market Value – The price at which an investment can be bought or sold at a given date.

MHCLG – The Ministry of Housing, Communities and Local Government. Prior to January 2018 this was Department for Communities and Local Government (“DCLG”). Now called Department of Levelling Up, Housing and Communities (“DLUHC”).

Multi-Asset Credit – MAC is a term used for a fund investing in a range of investments that are classed as ‘credit’ i.e. fixed income, and will often include corporate debt, loans directly to companies, absolute return bonds, emerging market debt, asset-backed securities, real-estate debt and high yield bonds. The MAC fund will aim to be diversified across many asset types (also known as Diversified Credit).

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.

Other Registerable Interests – Including the receipt of gifts or hospitality worth over £100; and membership / being in position of general control or management of a body to which they are appointed or nominated by the Council.

Over-the-Counter (OTC) - A security traded in some context other than on a formal exchange such as the London Stock Exchange, New York Stock Exchange, etc. The phrase "over-the-counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralized exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Partner Funds - The term we use to describe the 10 other LGPS Pension Funds who are equal owners of BCPP along with Cumbria. A list of our partner funds can be found at: <https://www.bordertocoast.org.uk/partner-funds/>

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*).

Pecuniary Interests – Including the ownership of securities and other assets, any employment, office, trade, profession or vocation carried out for profit or gain.

PIRC – Pensions & Investment Research Consultants

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

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

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.

Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale thereby, as requested by DCLG: ‘significantly reducing costs whilst maintaining investment performance’.

Portfolio – Block of assets generally managed under the same mandate.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Private Equity Secondaries – Shares in unquoted companies that were pre-existing investor commitments to private equity which have since been sold in a secondary market. Usually high risk, high return in nature.

Private Markets – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure; property; art, wine etc., and financial assets such as commodities, private equity, hedge funds, venture capital; royalties / patents and derivatives.

Proxy Voting – Also known as Shareholder Voting – please refer below.

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).

Real Estate Debt – Commercial property loans; the debt is secured against commercial property or portfolios of property, eg. hotels, shopping centres, offices.

Resolution Body – Employers who, under Schedule 2 Part 2 of the Local Government Pension Scheme Regulations 2013 (as amended), have the automatic right but not the requirement to be an employer within the LGPS (also referred to as a Designated body).

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.

S151 Officer – Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Scheduled Body – Public sector employers or resolution bodies that have an automatic right and requirement to be an employer within the LGPS.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Scheme Employers – employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations (as amended)) would not need to designate eligibility, unlike the Part 2 Scheme Employers.

Scheme Members – are predominantly employees and ex-employees of local public sector organisations including local authorities, the police authority (non-uniformed), schools, and academies. Additionally, a small number of scheme members are employees and ex-employees of either community bodies or private companies to whom services and therefore staff have been contracted out.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Shareholder Rights & Responsibilities - Rights exist primarily through shareholdings (but can be derived through other means). The shareholder role includes responsibilities for appointing directors and auditors and ensuring that appropriate governance structures are in place. Good governance is about ensuring that company policies and practices are robust, and its operations are effective and responsibly delivered in relation to its stakeholders.

Shareholder Voting - Shareholders are people and organisations who buy shares in UK companies. In large companies, shareholders are overwhelmingly large institutional investors, such as pension funds, insurance companies, mutual funds or similar foreign organisations.

Shareholders have the right and responsibility to vote on matters of ‘corporate policy’ at the underlying company’s AGM (Annual General Meeting). UK shareholders have the most favourable set of rights in the world in their ability to control directors of corporations. UK company law gives shareholders the ability to;

- remove the board of directors with a simple majority of votes;
- change the company constitution with a three quarter vote (unless a higher figure is in the constitution);
- wind up (i.e. liquidate) the company with a three quarter vote; and
- veto any sale of a significant percentage of company assets.

The number of votes corresponds to the number of shares owned. The shareholder does not need to be present at the meeting, and many shares are voted ‘by proxy’. Managers invariably hand over the process of voting to proxy voting agencies.

In practice many shareholders delegate the voting function to Investment Managers (who have stewardship of their assets).

Resolutions which are voted upon include:

Approval of Annual Report and Accounts

Approval of Remuneration Policy, and Remuneration Report

Election/Re-election of Directors

Appointment/Re-appointment of auditors

Approve dividend

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Approve political donations

Voting is the key to exercising ownership rights, and influencing investee company policy

Socially Responsible Investing – An investment that is considered socially responsible because of the nature of the business the company conducts. Common themes for socially responsible investments include avoiding investment in companies that produce or sell addictive substances (like alcohol, gambling and tobacco) and seeking out companies engaged in social justice, environmental sustainability and alternative energy/clean technology efforts. See also ESG.

Solvency – A level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Stewardship - The responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

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.

Stranded Assets – are defined as assets that have been prematurely devalued or converted to liabilities. In recent years, the issue of stranded assets caused by environmental factors, such as climate change and society's attitudes towards it, has become increasingly high profile.

Supranational Institutions – Owned or established by governments of two or more countries, usually established by international treaties and generally not subject to commercial law; they include multilateral insurance companies, monetary funds and regional public policy institutions.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

Triennial Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Cumbria LGPS Fund and produces a report on the Fund's financial position.

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.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Independent auditor's report to the members of Cumbria County Council on the pension scheme financial statements of Cumbria Local Government Pension Scheme

Opinion on financial statements

We have audited the financial statements of Cumbria Local Government Pension Scheme (the 'Pension Scheme') administered by Westmorland and Furness Council (the 'Authority') for the year ended 31 March 2023, which comprise the Pension Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Scheme during the year ended 31 March 2023 and of the amount and disposition at that date of the scheme's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Scheme's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Scheme to cease to continue as a going concern.

In our evaluation of the Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Scheme's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Scheme. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Scheme financial statements and the disclosures in the Pension Scheme financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources use of the going concern basis of accounting in the preparation of the Pension Scheme financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the Pension Scheme's financial statements and our auditor's report thereon, and our auditor's report on the Authority and group's financial statements. The Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Scheme financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Scheme's financial statements, the other information published together with the Pension Scheme's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Scheme financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Scheme.

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Scheme's 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

In preparing the Pension Scheme's financial statements, the Director of Resources is responsible for assessing the Pension Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Scheme without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Scheme's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Scheme and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Scheme's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journals with specific risk characteristics and large value journals and significant accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, directly held property and actuarial present value of promised retirement benefits; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

SECTION 10 – CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and accounting estimates related to the valuation of level 3 investments, directly held property and actuarial present value of promised retirement benefits. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Scheme including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Scheme's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: John Farrar

John Farrar, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

13 February 2024