Statement of Accounts

Year Ending 31 March 2020

Allerdale Borough Council

Statement of Accounts 2019/20

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Narrative Report

1. Introduction

1.1 The Statement of Accounts summarises Allerdale Borough Council's financial performance, financial position and cash flows for the financial year from 1 April 2019 to 31 March 2020.

1.2 To provide context to and assist in the interpretation of the Statement of Accounts, the Narrative Report which follows provides information about the Authority of relevance to understanding its financial performance and position. This includes information about the Authority's:

- key strategic priorities and performance in delivering its main objectives
- key risks and uncertainties in relation to future service provision
- medium term financial strategy
- financial performance (income and expenditure) and cash flows during the financial year, the major influences affecting performance and cash flows and how actual financial performance compares to budget
- financial position (balance sheet) at the year end and the major influences affecting the Authority's financial position.

2. About the Council and the Borough

2.1 The Borough of Allerdale is located in the north west of Cumbria covering an area of 1,258 square kilometres. It is a diverse borough, both in terms of geography and history. It includes some of the country's most stunning landscapes (the borough includes areas to the east in the Lake District National Park as well as the Solway Coast Area of Outstanding Natural Beauty to the north) and important built heritage. Allerdale has seven distinct areas: the towns of Aspatria, Cockermouth, Keswick, Maryport, Silloth, Wigton and Workington and their hinterlands

2.2 The area has low levels of crime and many of our residents enjoy an excellent quality of life. However, the diversity of geography and history across the borough manifests as a broad range of issues and challenges facing the different communities across the borough.

2.3 Allerdale's population of circa 97,000 is largely concentrated in the south west around Workington, Maryport and Cockermouth where population density is 450 people per square kilometre. By contrast the Solway Plain has a population density of just 50 people per square kilometre. Due to the largely rural nature of the borough, transport connectivity, broadband provision and access to services remain an issue.

2.4 Allerdale has seen the greatest rise (between 2001 and 2011) in the number of residents aged over 85 years in Cumbria and has an older population profile than England and Wales. The population is 'ageing' at a faster rate than the population nationally. By 2039 around a third of all residents are projected to be aged 65 and over.

2.5 Unemployment rates for Allerdale as a whole are slightly lower than the regional and national averages. However, there are pockets of unemployment well in excess of the national average in some towns.

2.6 The major employers in the borough are in the manufacturing, wholesale/retail, hotel and restaurant businesses and the public sector. Just over three quarters (78.1%) of businesses in Allerdale are classified as small, employing less than four people. Manufacturing is largely concentrated on the west coast with retail centres in the towns of Workington, Cockermouth, Maryport, Keswick and Wigton.

2.7 The west coast has a rich industrial history and industry remains very important to the area, but changes in its make-up have left economic and social problems, particularly in the main towns of Workington and Maryport which contain some of the most deprived communities in the country and where there are pockets of unemployment well in excess of the national average in some towns.

2.8 The north of Allerdale is a predominantly rural area with small villages and three principal market towns - Aspatria, Silloth and Wigton - which have issues such as access to services and economic sustainability.

2.9 The market towns of Cockermouth and Keswick enjoy stunning scenery, with Keswick, located in the Lake District National Park, an important tourist destination. However, both towns and the surrounding rural villages face problems with a lack of affordable housing.

2.10 Levels of home ownership for the district are just above the national average, although there are much lower levels in Workington and Maryport which also see the highest rates of social rented properties. However, with the median cost of a dwelling over five times the median household income, there is a shortage of affordable housing to buy. 12.3% of households in Allerdale experience fuel poverty with wide variation across the district and 22% of private sector dwellings in Allerdale fail to meet the Decent Homes Standard.

2.11 Average life expectancies for Allerdale residents have improved over time, but remain lower than the England and Cumbrian averages. Across the borough, there is a nine year gap (men) and an eight year gap (women) between the most and least deprived areas. Childhood obesity levels in Allerdale are higher than the Cumbria and national averages and Allerdale has an above average adult obesity rate.

Services

2.12 The Authority is responsible for delivering a wide range of services, either directly or through use of external contractors and partner organisations from the public, private and third sectors. Services to the public are supported by a range of back-office and support functions including Finance, Property services, Legal, IT and Human Resources.

2.13 Key services provided by the Authority and the Executive member portfolios to which they are allocated for resource allocation and financial reporting purposes, are summarised in the following table:

Executive Member Portfolio	Service/Support function
Environmental Services	• Leisure Management • Sports Development • Parking • Bereavement Services • Parks and Open Spaces • Household Waste Collection and recycling, trade waste, street cleaning, grounds maintenance • Pest Control
Leisure and Tourism	• Destination and Tourism • Museums, Arts and Culture • National Park and National Park Partnership • AONB
Policy, Governance and People Resources	• Nuclear • Climate Change • Corporate Policy • Planning Policy • Housing Strategy • People Resources • Strategic Communications • Governance • Democratic and Electoral Services • Housing Options
Economic Growth, Community Development and Placemaking	• Economic Development • Town Centre Regeneration • Events and Markets • Land Asset Management and Public Buildings • Development Management • Housing Development • Procurement • Allerdale Waste Services Limited
Finance and Legal	• Financial and Legal Services • Licensing • Assurance, Risk and Audit • Food and Occupational Health • Environmental Protection • Corporate Health and Safety
Customer Experience and Innovation	• Customer Operations • ICT services • Emergency Planning • Service Innovation • Programme Office • Commissioning/Alternative Service Delivery • Community Safety and Antisocial behaviour • Health Improvement

Employee information

2.14 The Authority employs 249 people on full time and part time contracts. Information on the composition of the Authority's workforce at the end of the financial year is provided in the following tables:

	At 31 March 2020			
	Employee Numbers		FTE	
	Male	Female	Male	Female
Senior managers	7	2	7	2
Other employees	81	159	78	128
Total	**88**	**161**	**85**	**130**

	At 31 March 2019			
	Employee Numbers		FTE	
	Male	Female	Male	Female
Senior managers	8	2	8	2
Other employees	82	157	77	128
Total	**90**	**159**	**85**	**130**

Governance arrangements

2.15 A summary of the key elements of the systems and processes that comprise the Authority's governance arrangements are set out in the Annual Governance Statement that accompanies the Statement of Accounts (section 7).

2.16 The Annual Governance Statement provides a summary of the arrangements put in place by the Authority to ensure legislative requirements, governance principles and management processes are within the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

3 The Council's key achievements and performance

Strategic priorities and progress

3.1 The Authority's priorities for 2019-20 were outlined in the Council Plan 2019-23, which was approved by Members in March 2019. The Plan had four key themes:

Theme	Aim
Economic opportunity and growth	Allerdale's businesses thrive and grow, we attract new businesses to the area and create quality jobs.
Stronger and healthier communities	Allerdale's communities are healthy, safe, included and supported.
Quality places to live	Allerdale has attractive and welcoming places and spaces and has the right homes in the right places to meet our residents' needs and support well planned growth.
Transforming the Council	To ensure the Council continues to make the best use of resources and remains in a healthy financial position to be able to provide the quality services and deliver improvements to the area as set out in our priorities.

3.2 The Corporate Business Plan 2019-20 contained 58 programmes and projects across the four Council Plan priority themes. A total of 45 of these were completed during 2019-20 or remain on target to be completed within the timescales set out in the Business Plan.

3.3 The Authority's key achievements in delivering the Council Plan during 2019-20 include:

- utilising funding programmes to further the ambitions of the Authority and other partners in driving economic growth, examples include:
  - securing ERDF funding with other Cumbrian Councils to create a Cumbria-wide project to provide IT guidance and support to small business across the area
  - Secured funding to support the Maryport Regeneration Scheme (including £50k from the Coastal Heritage Fund)
- developing, through the Allerdale Investment Partnership, a number of sites for future commercial and housing use
- completing the Local Plan (Part 2) – a key planning policy to guide future development in the borough
- facilitating the creation of a Work and Skills Partnership to bring partner agencies together to address issues around access to employment
- carrying out targeted enforcement in areas identified as litter, dog fouling or fly tipping hotspots on a weekly basis, resulting in a number of fixed Penalty Notices being issued
- carrying out town centre environmental clean ups in all Allerdale towns
- undertaking enhancement and refurbishment works in our towns including the Facelift Grant Scheme - a £50,000 facelift scheme that has supported the improvement of properties in Silloth and Aspatria
- supporting large scale festivals and events to enhance the vitality and raise the profile of the area and offer cultural and sporting events to improve health and wellbeing. Supported events include Taste Cumbria Cockermouth in September 2019 which generated an estimated economic impact of £2.2m in the local economy with over 25,000 visitors attending.
- providing grant funding to support 15 local festivals and events offering opportunities for participation and enjoyment of sports, arts and heritage in the community
- improvements to leisure and sports facilities and encouraging greater participation in sport and physical activity
- expansion of the Healthwise PARS (Physical Activity on Referral Scheme)
- successfully securing additional grant funding from MHCLG of £53k for work on reducing rough sleeping across the Allerdale area, as well as funding (in partnership with other Cumbrian authorities) for work around domestic violence
- increasing our involvement and support to the Allerdale Local Focus Hub, delivering a more joined up approach to tackling crime, disorder and anti-social behaviour across Allerdale's towns – leading to reductions in anti-social behaviour and crime.
- delivery of housing improvements through grant assistance to around 220 homes across Allerdale
- supporting Community Land Trusts to develop affordable housing across the borough

- delivering the 'Big Allerdale Switch' collective energy switching scheme to help residents to save on their energy bills
- providing grant support to third sector organisations offering advice and support to those struggling financially to help them deal with money and other problems
- continuing a programme to deliver efficiencies and establish a foundation for a flexible approach to work to support mobile working and business process automation through the implementation of cloud based systems
- further development of a wide range of on-line forms and the myAllerdale on-line reporting service to provide customers with improved access to services.

Performance monitoring

3.4 Performance in meeting the priorities set out in the Council Plan is monitored regularly throughout the year by the Authority's Senior Management Team, Executive and the Overview and Scrutiny Committee. Quarterly performance reports can be found on the Council's website. Performance reporting includes monitoring against a number of financial and non-financial performance measures identified for each of the five priority themes. The following table provides a summary of the key indicators monitored during the financial year.

Performance indicator	2018/19 actual	2019/20 target	2019/20 actual
Economic opportunity and growth			
% of major planning applications determined within statutory period	94%	90%	89%
% of minor planning applications determined within statutory period	89%	90%	90%
% of invoices from local Cumbrian businesses paid within 14 days	93.1%	98.0%	93.3%
% of Council spend (less than £50k) on goods and services with local (Cumbrian) suppliers and companies	New 2019/20	42.0%	47.4%
Stronger and healthier communities			
Leisure Centre usage by target groups (concessionary users) (Workington and Wave) - number	New 2019/20	43,290	48,186
Leisure Centre usage by target groups (60+) - number	New 2019/20	64,588	71,593
Leisure Centre usage by target groups (juniors) - number	New 2019/20	185,004	172,770
% of homeless decisions made within guideline 56 days	100%	100%	100%
% of successful homeless preventions and relief outcomes	New 2019/20	50%	54%
% of programmed private water supplies sampled	95.0%	100%	94.0%
% of food safety inspections carried out (Category A-B)	86%	100%	96%
Time taken (days) to process Housing Benefit new claims	13	15	7
Time taken (days) to process Council Tax new claims	14	15	13
Time taken (days) to process Housing Benefit/Council Tax change of circumstances	3	4	3
Quality places to live			
Residual household waste per household (kg)	585kg	560kg	522kg
% of household waste sent for reuse, recycling & composting	34.4%	31.0%	33.7%
Incidents of fly tipping	927	900	689
No. of affordable homes facilitated by the Council	79	70	54

Performance indicator	2018/19 actual	2019/20 target	2019/20 actual
No. of housing units granted planning permission	412	429	380
Number of new housing completions	337	339	238
% Full plans determined within 5 weeks (Building Control)	91%	85%	84%
% of Local Land Charge Searches carried out within 10 working days	99.5%	95.0%	99.4%
% of Disabled Facilities Grants approved within 12 (2028-19:10) weeks of referral	77%	85%	78%
No. of Empty Homes Grants completed	6	10	6
Transformation and corporate health			
Abandoned calls rate (%)	8%	7%	12%
Customer service satisfaction score	92%	85%	96%
Average no. of ICT Support calls logged per day	19	20	17
% of ICT support calls resolved within SLA	90%	90%	89%
Overall percentage of time systems available for use	99.9%	99.9%	100%
% of Council Tax collected	97.5%	97.8%	97.4%
% of NNDR collected	98.6%	98.2%	98.5%
% of invoices paid within 30 days	97.8%	98.0%	96.9%
Occupancy rates of Council's property portfolio	93.0%	90.0%	91.0%
Average no. of working days lost to sickness absence per employee per annum	12.5	7.0	8.6

4 Key risks and uncertainties

4.1 A risk management strategy is in place to identify and evaluate risk. This is based on the principles of the Enterprise Wide Risk Management Framework. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management process is subject to regular review and updating. Key risks faced by the Authority and included on the Authority's corporate risk register are summarised in the following table.

Risk	Impact	Mitigation
Severe weather conditions: Significant unbudgeted expenditure arising from severe weather conditions.	Further deterioration of sea defences and impact on low lying coastal properties and land. Landslips occurring following severe weather. Cost of business disruption e.g. NNDR collection Increase cost of 'business as usual services' and impact on service delivery as resources are redirected to support recovery.	Funding opportunities to support the repair/replacement of damaged sea defences being explored. Action plan approach to prioritise highest risk areas Business continuity plan is in place.
Land &property IT system: Failure to implement the Arcus platform across Planning, Building Control, EH, Licensing.	Failure to achieve savings detailed in the business case, loss of confidence with staff, increased costs and a drain on resources.	Project established to investigate procurement of alternative system. Revised project plan produced.
Waste, cleansing and grounds maintenance services: Failure to deliver cost effective waste and recycling service	Failure to meet required service standards and objectives. Reputational risk and loss of public confidence in ability to deliver the services. Adverse impact on medium term financial plan as a consequence of a failure to deliver required affordability savings. Affordability savings met at the expense of service delivery.	Full options appraisal developed followed by a detailed business case. Project management arrangements including a detailed risk register outlining the individual project risks associated with the delivery of the project. Detailed mobilisation plans implemented. Contract management processes in place.
Decision making: Failure to demonstrate and achieve informed decision making	Financial, operational and reputational risk. More opportunity for challenge (legal/ombudsman/political/public/media). Failure to deliver open, transparent and accountable process in accordance with Good Governance.	Review of Constitution and scheme of delegation; Process for Open and Transparent reporting; Programme/Project Management approach for transformational and key projects; Further embedding of decision making framework and the transparency agenda. Training and Development is in progress with members and key officers associated with key decisions.
Value for money: Failure to continue providing value for money for expenditure.	Inability to fulfil statutory obligations. Cessation of discretionary services. Loss of key staff and or services. Waste due to inefficient processes; further use of reserves to deliver services. Inability to achieve plans.	Monitoring and challenge processes adopted to improve accountability and responsibility for budget management, and drive cost and time performance information. Training for staff (budget management, commissioning, procurement). Development of an Organisational Development Plan to support the drive for efficiency and growth.
Brexit: Inability to deliver the Council Plan due to the consequences of Brexit.	Strategic priorities not met; improvements not made; Lives in Allerdale are not improved. Ability to deliver value for money compromised	Continued discussions with stakeholders to understand potential impacts. Horizon scanning for information updates from professional

Risk	Impact	Mitigation
	Reduced growth in the local economy.	bodies and ongoing monitoring of policy and legislative developments. Investigate opportunities to make up for any future loss of EU funding streams.
Business continuity plans: Business continuity plans do not meet business needs	The Council does not comply with its duties as a Category 1 Responder under the Civil Contingencies Act; Priority services are not maintained. Adverse publicity and loss of confidence in management, delayed income collection, increased unbudgeted expenditure.	Implementation of Cloud based Business continuity software. Creation of Central Business Continuity Plan. Alternative sites identified for business. Transfer of telephony system to BT OnePhone fully mobile based system. Implementation of Cloud based application software. Business interruption insurance. Rolling programme of departmental exercises to test plans.
Business rates: Move to 75% retention of business rates locally and uncertainty over future design of the Business Rates Retention Scheme and timetable for implementation.	Impact on the medium term financial plan. Potential loss of growth depending on re-sets. Difficulty in planning for growth and retaining income.	Continued membership of Cumbria NNDR group. Horizon scanning for updates from MHCLG, attendance at briefings to understand current government position and implications.
Cultural and organisational change: Failure to achieve cultural and organisational change necessary to achieve the vision and deliver the best public services possible.	Staff fail to understand their roles and responsibilities within the operating model. Inability to retain and develop skilled staff. Resources do not meet business objectives. Key roles become difficult to fill. Insufficient capacity to deliver plans.	HR business partner approach developed. New behaviours framework released in 2019-20. Organisational Development Strategy agreed to drive the actions to improve the culture.
Cyber security: Failure to maintain secure information systems and networks against cyber attacks	Service outage, loss of data, business disruption, reduced trust from stakeholders, cyber-crime, information lost or stolen, regulatory fines, regulatory investigation, failure to provide customer service, loss of income.	Independent penetration testing completed annually. Public Services Network compliance health check. Migration of systems to the cloud and provision of secure access to cloud-based applications. Policies replaced and deployed, GDPR security and data management training provided Raising awareness and providing training for end-users. Malware solutions updated to protect against latest vulnerabilities.
Data protection: Failure to deliver the requirements of the General Data Protection Regulations and the Data Protection Act 2018.	A breach of GDPR could lead to investigation by the ICO; financial implications (fines); reputational damage, damage to trust and confidence (public and partners).	Project undertaken in 2017-18 to deliver the actions necessary to meet the requirements of GDPR. Data Protection Officer continues to review and improve policy and practice based on updated legislation or guidance. Ongoing

Risk	Impact	Mitigation
	Loss/misuse of personal data through poor data protection practices.	programme of staff training including mandatory e learning in data protection. Ongoing compliance monitoring; Further work on contracts and data sharing arrangements.
Potential Local Government Reorganisation in Cumbria: impact of resulting uncertainty on the ability of the Council to deliver the Council plan	Future political and financial uncertainty may affect the Council's its ability to deliver against its existing ambitions.	Participation in discussions around the future of Local Government in Cumbria. Ongoing monitoring of the wider policy context around Local Government reorganisation.
Health & Wellbeing: Potential deterioration of the mental health and wellbeing of our workforce	Reduced levels of customer service. Reduced productivity and increased staffing costs. Inability to deliver organisational objectives.	Occupational Health provider and Counselling Service in place Wellbeing/mindfulness sessions run weekly. Absence management process in place and reviewed. Pulse surveys undertaken to identify causes of absence. Additional training for managers.

5. 2019-20 Budget and Medium Term Financial Strategy

5.1 The Authority's General Fund (GF) Revenue and Capital Budgets for 2019-20 were approved by Full Council in March 2019. Revised budgets which addressed the Authority's priorities, additional service related budget pressures and savings identified through the monthly financial monitoring and the re-profiling of capital expenditure, were approved by Full Council in December 2019.

Economic climate

5.2 The national and international economic climate, together with the Government's ongoing commitment to reducing the deficit through reductions in public sector spending, has continued to present a very challenging financial environment for the Authority throughout 2019-20.

5.3 Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing and timing of these cuts has made it very difficult for authorities to plan their spending priorities strategically.

5.4 The government's response to these concerns was the offer of a four year settlement guarantee, covering the 4 year period 2016-17 to 2019-20. The Authority chose to take advantage of this offer and published, in line with terms of the multi-year offer, its Efficiency Plan in October 2016.

5.5 2019-20 marks the end of the current four year settlement period and considerable uncertainty exists over the funding of local government beyond 2020-21. In the 2019 Spring Statement, the Government announced its intention to hold a new spending review in 2019 covering three years 2020-21 to 2022-23. However, this was conditional on a Brexit deal being agreed and, with the subsequent political turbulence and financial uncertainty surrounding Brexit, it was later announced that a one-year Spending Round would be provided covering the financial year 2020-21 only. This would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

5.6 As a consequence, and in contrast to the multi-year settlements announced in previous years, the 2020-21 local government finance settlement is for one year only. Future years' announcements will be dependent on a number of factors, including: Spending Review 2020, the outcome of the Fair Funding Review, reset of business rates baselines, the move to 75% BRR and any reform of the New Homes Bonus scheme.

5.7 Government previously announced that the 2020 Spending Review would be finalised in the autumn of 2020, covering years from 2021-22 to 2023-24 for revenue spending, and years from 2021-22 to 2024-25 for capital spending. However, due to the economic disruption caused by Covid-19 it has since confirmed that in order to prioritise the response to the pandemic, it will now conduct a one-year spending review which will set departmental budgets for one year only. This is review is expected to conclude in late November.

5.8 The Government had previously used the 2019-20 settlement announcement to reaffirm its intention to move to 75% local retention in 2020-21. Along with the Fair Funding Review, previously scheduled to take place in 2019, implementation was subsequently pushed back to 2021-22. However the Government has since announced that the Review of Relative Needs and Resources (Fair Funding Review) and the move to 75% business rates retention, will no longer be implemented in 2021-22.

Medium Term Financial Strategy

5.9 The 2019-20 revenue budget is set within the context of the Authority's Medium Term Financial Strategy (MTFS). The MTFS provides the funding framework within which the Council seeks to achieve the priorities set out in the Council Plan and highlights the key financial risks facing the Council. The current MTFS, published alongside the Authority's 2020-21 budget, shows that, in order for the Authority to remain financially sustainable and continue to meet its statutory obligation to deliver a balanced budget, it will need to address a funding deficit of up to £2m over the period 2020-21 to 2022-23.

5.10 The Authority's 2020-21 budget (revenue and capital) and the MTFS were prepared before the emergence of the Covid-19 pandemic. They will be revisited and updated in 2020-21 to reflect:

- the Authority's key priorities over the period 2020-21 to 2023-24 and its ambitions to drive forward economic growth, exploit commercial opportunities and achieve financial sustainability
- changes to forecasted levels of funding
- the financial consequences of Covid-19 and the action required to balance the 2020-21 budget
- the implications of the pandemic on the budget reductions the Authority needs to deliver over the period covered by the MTFS.

2019-20 Revenue Budget

5.11 Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure charged to the Authority's general fund expenditure is met from the following sources:

- Fees and charges
- Government grants including unringfenced grants e.g. Revenue Support Grant
- Council Tax and Business Rates
- Reserves - General Fund Balances and Earmarked Reserves.

5.12 The Authority's original net revenue budget for 2019-20, inclusive of parish precepts and planned contributions to reserves, was set at £15,398k and the revised revenue budget at £17,144k.

5.13 The Authority's 2019-20 revenue budget is funded as follows:

	Original £'000	Revised £'000
Revenue support grant	196	196
Other government grants (including New Homes Bonus)	1,164	1,164
Council tax – including parish element	7,502	7,502
Collection fund surplus/(deficit) - Council Tax	37	37
NNDR funding (including s31 grant)	5,719	5,687
Collection fund surplus/(deficit) - NNDR	13	13
Total funding available	**14,631**	**14,599**
Planned use of Earmarked Reserve Balances	395	1,463
Release of Earmarked Reserves	0	678
Use of General Fund	372	404
Total Funding included in budget	**15,398**	**17,144**

5.14 The amount of Revenue Support Grant provided to the Authority through the 2019-20 Local Government Finance Settlement was £0.196m. This represents a reduction of £0.456m (70%) on the amount (£0.652m) awarded in 2018-19.

5.15 The Authority's share of Council tax was increased by £5 on band D Properties, with proportionate increases being applied to properties in other council tax bands. This represented an increase of 2.98% across all council tax valuation bands. The tax base for 2019-20 (i.e. the taxable capacity of the borough) was set at 30,662.47, an increase of 1% on the 2018-19 tax base of 30,359.94. These changes resulted in:

- an increase in the Authority's share of Council tax on band D properties (excluding parish precepts) from £167.99 to £172.99
- total council tax income available to the Authority's general fund in 2019-20 of £7,502k (2018-19: £7,124k) - excluding the Authority's share of the estimated surplus at 31 March 2019 of £37k; an increase of approximately 5.3%.

5.16 The 2019-20 revised budget includes estimated business rates income available to the general fund of £5,700k (inclusive of the Authority's share of estimated collection fund surplus at 31 March 2019 of £13k). This includes:

- estimated grant income from central government of £2,204k to compensate the Authority for the loss of business rates income associated with certain business rate reliefs
- an estimated net levy payment of £422k.

2019-20 Capital Budget

5.17 The Authority's original 2019-20 capital budget was set at £12,372k (inclusive of budgets carried forward from 2018-19 of £2,444k) and the revised capital budget at £3,628k.

5.18 Capital expenditure, included in the capital budget, covers expenditure on projects such as acquisition, construction and enhancement of property plant and equipment. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants).

5.19 Resources available to finance capital expenditure include:
- capital receipts (for example usable proceeds from asset sales)
- grants and contributions from third parties
- direct financing from revenue/use of general fund balances.

5.20 Capital expenditure that is not financed up-front from these resources will increase the Authority's underlying need to borrow, as measured by the capital financing requirement (CFR).

5.21 Significant projects within the 2019-20 revised capital programme include:
- £1.3m for Disabled Facilities Grants (mandatory and discretionary)
- £296k for the development of additional industrial units on land owned by Allerdale Borough Council, at Reedlands Road, Workington
- £377k for the acquisition and redevelopment of commercial properties to support business start-ups and the small business sector
- £361k to support the creation of a multi-user coastal pathway linking Silloth-on-Solway, the West Cumbria Cycle network and the Hadrian's cycle route
- £215k to address DDA compliance issues and other capital enhancement works to the Helena Thompson Museum.

6 Financial Performance

Financial Management: Revenue expenditure compared to budget

6.1 The table below shows the actual expenditure for 2019-20 compared to the Authority's revised budget and how that expenditure was financed. A detailed report on the 2019-20 outturn position - including commentary on reported variances - is included in the agenda reports pack (published on the Council's website) for the meeting of the Council's Executive on 15 July 2020.

Summary Position against Budget – 2019-20

	Revised Budget £'000	Actual £'000	Variance £'000	Contribution to E/M Reserves £'000	Adjusted variance £'000
Finance & Legal	4,717	4,557	(160)	111	(49)
Economic Growth, Community Development & Placemaking	464	282	(182)	747	565
Environmental Services	3,502	3,310	(192)	420	228
Policy, Governance and People Resources	3,492	3,082	(410)	175	(235)
Leisure and Tourism	360	280	(80)	15	(65)
Customer Experience & Innovation	2,286	1,945	(341)	88	(253)
Expenditure on services	**14,821**	**13,456**	**(1,365)**	**1,556**	**191**
Parish precepts	2,198	2,198	0	0	0
Net service expenditure	**17,019**	**15,654**	**(1,365)**	**1,556**	**191**
Taxation & Unringfenced grants	(14,599)	(14,702)	(103)	0	(103)
Net (surplus)/deficit for year	**2,420**	**952**	**(1,468)**	**1,556**	**88**
Use of General Fund (GF) to finance capital expenditure	129	14	(115)	0	(115)
Net charge/(credit) to GF	**2,549**	**966**	**(1,583)**	**1,556**	**(27)**

6.2 Net expenditure on services for the year was £15,654k compared to a revised budget (excluding planned transfers to Earmarked reserves) of £17,019k. In addition, £14k was utilised from General Fund Balances to finance capital expenditure. Total income from taxation and non-ringfenced grants was £14,702k compared to a budget of £14,599k. Over the course of the financial year this has resulted in a net charge to General Fund balances (earmarked and un-earmarked) of £966k. This movement is summarised in the following table:

Summary of movements in General Fund balances

	Revised Budget £'000	Actual £'000	Variance £'000
Balance brought forward at 31 March 2019	**7,358**	**7,358**	0
Impact of adopting new accounting standards	0	0	0
Balance at 1 April 2019	**7,358**	**7,358**	0
Planned/actual contributions to/(from) reserves:			
Planned use of GF balance - revenue	(1,082)	(1,519)	(437)
Planned use of GF balance - capital	(129)	(14)	115
Planned contribution to Earmarked reserves - expenditure	125	750	625
Planned contribution to Earmarked reserves - funding	0	0	0
Planned use of Earmarked reserves	(1,463)	(989)	474
Requested contribution to Earmarked reserves - budget c/fwd	0	806	806
Requested contribution to Earmarked reserves - income c/fwd	0	0	0
Total planned/actual contributions to/(from) reserves	**(2,549)**	**(966)**	**1,583**
Balance carried forward	**4,809**	**6,392**	**1,583**

6.3 Budget reports, including the outturn position summarised above, are prepared on a statutory basis (also referred to as the funding basis) reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts are summarised in Expenditure and Funding Analysis (see note 6 to the financial statements).

Financial Management: Capital expenditure compared to budget

6.4 The following tables show capital expenditure in 2019-20 compared to the revised capital budget and how that expenditure was financed.

Portfolio	Current Budget £'000	Outturn £'000	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Capital expenditure					
Econ. Growth, Comm.Dev. & Placemaking	907	467	(440)	440	0
Policy, Governance & People Resources	1,546	1,428	(118)	182	64
Environmental Services	559	193	(366)	286	(80)
Leisure & Tourism	576	88	(488)	488	0
Customer Experience & Innovation	40	0	(40)	0	(40)
Total Capital Expenditure	**3,628**	**2,176**	**(1,452)**	**1,396**	**(56)**
Financing of Capital expenditure					
Capital Grants & Contributions	1,941	1,627	(314)	314	0
Capital Receipts	280	19	(261)	336	75
General Fund Balances	129	14	(115)	89	(26)
Borrowing	1,278	516	(762)	657	(105)
Total Financing	**3,628**	**2,176**	**(1,452)**	**1,396**	**(56)**

6.5 The Authority spent £2.176m on its capital programme in 2019-20 compared to the revised capital budget of £3.628m. This expenditure was financed through a combination of prudential borrowing, government grants, revenue contributions and capital receipts. Further capital expenditure of £463k was financed from the revenue budget, bringing total capital expenditure incurred during 2019-20 to £2.639m.

6.6 The variance between revised budget and outturn for the year was £1.396m. This variance is largely attributable to changes made to the profile of planned expenditure on schemes across financial years. These changes, identified after submission of the revised capital budget, will require £1.396m of planned expenditure (and related budget provision) to be carried forward to 2020-21 together with the associated financing.

7. Financial position at the Balance Sheet date

7.1 The following table summarises the Authority's financial position at 31 March 2020:

	At 31 March 2020 £'000	At 31 March 2019 £'000	Year on Year change £'000
Non-current assets	90,175	90,810	(635)
Net current assets: debtors, stock & cash less short-term creditors & liabilities	2,162	(78)	2,240
Long-term liabilities & provisions	(51,306)	(48,766)	(2,540)
Net assets	**41,031**	**41,966**	**(935)**
Represented by:			
Revenue Reserves (General Fund & Earmarked)	6,392	7,358	(966)
Other Useable reserves	1,382	1,456	(74)
Unusable reserves	33,257	33,152	105
Total Reserves	**41,031**	**41,966**	**(935)**

Significant balance sheet movements during 2019-20

7.2 During 2019-20:

- The carrying value of the Authority's Non-current assets, including property, plant and equipment (PPE), investment property and long-term investments decreased by £635k. The key items that underpin this decrease are:
  - a decrease in the carrying value of PPE of £535k, comprising depreciation of £2,108k, a reduction in respect of disposals and transfers between asset categories of £721k less a net revaluation uplift of £2,038k and additions of £256k
  - an increase in long-term debtor balances of £265k arising from interest earned and additional advances made to Cumbria Community Asset and Investment Trust Limited (Trading as "Enterprise Answers") in relation to the Allerdale Business Support Fund
  - a reduction in the fair value of long-term investment balances (AIP loan notes) of £379k.
- Net current assets increased by £2,240k to £2,162k at 31 March 2020. This increase was accompanied by a corresponding improvement in the Authority's working capital liquidity ratio from 1.0 at 31 March 2019 to 1.2 at 31 March 2020. The key items underlying this increase in net current assets are:
  - a reduction in short-term creditors relating to capital expenditure of £1,752k
  - an increase in cash balances of £3,034k, less
  - an increase in Contract and Other liabilities of £2,286k underpinned by the advance payment of grants relating to 2020-21 of £2,298k.
- Long-term liabilities increased by £2,540k, underpinned by an increase in the net defined benefit pension liability of £763k and an increase in long-term borrowing of £1,816k.

Valuation of non-current assets

7.3 The Authority carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets required to be measured at current value are:

- revalued at intervals of not more than five years
- reported in the balance sheet at a carrying amount that does not differ materially from that which would be determined using the assets current value at the balance sheet date.

7.4 In 2019-20, revaluations were carried out the Authority's:

- pay & display car parks
- free and permit parking car parks
- sports & leisure centres.

7.5 The revaluation exercise resulted in the recognition of net revaluation gains of £2,038k, comprising gains of £1,815k credited to the revaluation reserve and £223k credited to the Comprehensive Income and Expenditure Statement (CIES), and reversed out to the Capital Adjustment Accounts within the Movement in Reserves Statement.

7.6 Investment Property and Assets Held for Sale are revalued annually. During 2019-2020 the fair value of the Authority's investment properties decreased by £523k.

Defined Benefit Pensions Liability

7.7 The Authority offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Authority has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.

7.8 At 31 March 2020, the Authority's net pension liability was £34.2m (31 March 2019: £33.5m). Although this sum has a significant impact on the net assets of the Authority, as shown in its Balance Sheet, the deficit will be addressed by increased contributions to the scheme in future years. These increased contributions have been reflected in the Authority's Medium Term Plan.

7.9 Underpinning the £0.763m increase in the net pension liability during 2019-20 is:

- a £2.95m decrease in the defined benefit liability, including experience losses and actuarial gains associated with changes to the financial and demographic assumptions used to calculate the defined benefit liability, of £5.38m, interest and current service costs of £4.68m, past service costs of £1.34m and benefits paid of £4.03m.
- a decrease in the carrying value of the Authority's share of scheme assets of £3.71m reflecting:
  - an increase of £3.34m relating to net interest on plan assets of £1.92m and contributions of £1.42m
  - re-measurement losses of £2.98m, reflecting the a difference between the actual investment return on plan assets and the interest rate used to calculate the net interest cost included in the CIES together with changes resulting from the review of the Authority's allocation of assets as part of the 2019 actuarial valuation
  - benefits paid out and administration costs of £4.07m.

Short and Long-term Borrowing

7.10 At 31 March 2020, the Authority's external borrowing (inclusive of accrued interest) stood at £17.54m (31 March 2019: £15.35m). The main component of the Authority's loan portfolio is PWLB debt of £17.45m (31 March 2019: £15.27m). During the financial year the Authority made scheduled repayments of £319k (2018-19: £313k) to the PWLB. New PWLB borrowing of £2.5m was undertaken during 2019-20 (2018-19:£0).

Revenue Reserves

7.11 At 31 March 2020, un-earmarked general fund reserves stood at £3.144m (31 March 2019: £3.891m) and earmarked revenue reserves at £3.248m (31 March 2019: £3.467m). Earmarked reserves include amounts set aside:

- to meet planned future expenditure - including budgets carried forward to meet existing commitments
- to ring-fence unspent revenue grants where there are restrictions on use
- as a contingency to cushion the impact of unexpected events or transactions.

7.12 Details of the movement in the Authority's revenue reserves during the year are summarised in the following tables:

General Fund (GF)	**Revised Budget £'000**	**Actual £'000**	**Variance £'000**
Balance at 31 March 2019	3,891	3,891	0
Revenue surplus/(deficit) for year - revenue	(2,420)	(952)	1,468
Use of GF reserves to fund capital expenditure	(129)	(14)	115
Total Surplus/(deficit) for year	**(2,549)**	**(966)**	**1,583**
Transfers from/(to) Earmarked Reserves	1,338	(567)	(1,905)
Earmarked reserves released to GF	678	786	108
Net transfer (to)/from Earmarked Reserves	**2,016**	**219**	**(1,797)**
Balance at 31 March 2020	**3,358**	**3,144**	**(214)**

Earmarked Reserves (E/M)	**Revised Budget £'000**	**Actual £'000**	**Variance £'000**
Balance at 31 March 2019	3,467	3,467	0
Transfers to/(from) General Fund:			
Use of reserves to fund revenue expenditure in year	(1,463)	(989)	474
Use of reserves to fund capital expenditure in year	0	0	0
Total used in year	**(1,463)**	**(989)**	**474**
Transfers (to)/from General Fund:			
Planned Transfers to/(from) Earmarked Reserves	125	750	625
Additional Transfers to/(from) Earmarked Reserves	0	806	806
	125	**1,556**	**1,431**
Released to General Fund	(678)	(786)	(108)
Net transfer (to)/from General Fund	**(2,016)**	**(219)**	**1,797**
Balance at 31 March 2020	**1,451**	**3,248**	**1,797**

7.13 Contributions to earmarked reserves of £1,556k include amounts set aside from existing unspent budgets to reflect the re-profiling of associated expenditure plans across financial years and the ring-fencing of income earmarked for specified purposes.

7.14 The general fund balance at 31 March 2020 includes £98k allocated towards financing the 2020-21 capital budget. The remaining balance of £3,046k incorporates the Authority's agreed minimum retained balance of £2.7m held to provide contingency to protect services against unexpected events or emergencies, cushion uneven cash flows and avoid unnecessary temporary borrowing.

8. Cash flows

8.1 During 2019-20 the net increase in cash and cash equivalents (i.e. short-term highly liquid investments with maturities at the date of acquisition of three months or less) was £3,034k.

	2019/20 £'000	**2018/19 £'000**
Net Cash Flows from Operating Activities	2,965	894
Net Cash Flows from Investing Activities	(2,380)	(2,569)
Net Cash Flows from Financing Activities	2,449	755
Net increase/(decrease) in Cash & Cash Equivalents	**3,034**	**(920)**

8.2 The net cash inflow from operating activities totalled £2,965k, compared to net cash inflow of £894k in 2018-19. Underpinning the year on year change of £2,071k is the receipt, in March 2020, of £2,298k in respect of the advance payment of section 31 grants relating to 2020-21. These grants would normally be paid in instalments over the course of the year i.e. 2020-21. However, in response to the Covid-19 pandemic, the grants were paid by way of an upfront lump sum in order to ease local authority cash flows.

8.3 Significant cash flows underpinning the net cash outflow from investing activities of £2,380k include cash outflows of £2,551k (2018-19: £4,127k) associated with the purchase of property plant and equipment and investment property and advances made to Cumbria Community Asset and Investment Trust Limited of £250k, less inflows from the receipt of capital grants of £321k (2018-19: £889k) and disposal of PPE, investment property and other capital assets of £100k (2018-19: £644k).

8.4 Net cash inflows from financing activities of £2,449k comprise net cash inflows from council tax and business rates, collected on behalf of central government and major precepting authorities, but not yet paid over of £268k (2018-19: £1,068k inflow), new PWLB borrowing undertaken during the year of £2.5m (2018-19: £0), less scheduled loan repayments of £319k (2018-19: £313k).

9.0 Covid-19 Pandemic

9.1 Since the Council approved its Revenue and Capital Budgets for 2020-21 the ongoing Covid-19 pandemic has had a significant impact on the Authority's finances. Whilst the impact of the pandemic started to be felt before the introduction of the lockdown, the timing of events were such that the financial impact of Covid-19 on the reported outturn position for 2019-20 has been limited. Whilst lockdown measures resulted in some additional costs, particularly in relation to homelessness and rough sleepers, the main impact on the reported results for 2019-20 and financial position of the Authority relate to:

- receipt of Covid-19 emergency funding (tranche 1) of £64,382 in March 2020 to meet the costs of providing additional support for the homeless and rough sleepers, support those at higher risk of severe illness from Covid-19, and meet pressures across other services
- advance payment of grants relating to 2020-21 totalling £2,298k. These grants, normally paid in instalments over the course of the year i.e. 2020-21, were instead paid by way of an upfront lump sum in March 2020, in order to ease local authority cash flows. The grants paid are included in receipts in advance at 31 March 2020.
- the impact of market uncertainty created by the Covid-19 pandemic on the valuation of investment property and certain categories of operational property at 31 March 2020.

9.2 Whilst the impact of Covid-19 on 2019-20 has been limited, the impact on the Authority's finances in 2020-21 has been significant. In 2020-21 the Authority is expecting substantial losses across many of its largest income streams. These include parking, commercial rents, trade waste and recycling, and planning and building control fees. Income from fees and charges and rents represent a significant portion of the Authority's income. As a result any un-compensated reduction in these income streams will impact adversely on the revenue budget.

9.3 The pandemic is also expected to have a significant impact on the collection of council tax and business rates. Under statutory provisions, the amount of council tax income available to the Authority's general fund is fixed at the level determined when the council tax is set. Whilst this isolates the general fund from in year fluctuations in the amount of council tax collected it means any variation between expected and actual council tax collected will result in a surplus or deficit on the collection fund that must be taken into account when setting the budget for the following year.

9.4 As a consequence of the pandemic the Authority expects significant downward pressure on recovery rates as a result of payment failure and default. In addition, significant increases are anticipated in the number of local council tax support claimants as the financial year progresses. Both of these considerations have the potential to increase the deficit or lower the surplus on the Collection Fund in 2020-21 which will then have to be considered when setting the budget for 2021-22. They will also have the potential to lower the taxable capacity (tax base) of the borough, thereby limiting the amount of income that can be raised through council tax. In addition, since 2013, funding for council tax support is provided through the Business Rates Retention Scheme rather than through a separate grant. As a consequence, variations in the level of council tax support will need to borne by the Authority's general fund.

9.5 During 2020-21 the additional and extended reliefs introduced in response to the pandemic (including in particular the increased and expanded retail scheme) has resulted in a significant reduction in the amount of business rates expected to be collected from ratepayers in 2020-21. Further, but as yet unquantified, reductions in the business rates income are expected to arise as result of:

- changes to the growth in business rates as a result of lower economic growth
- losses arising from non-payment and default
- losses arising from empty properties.

9.6 The demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year. As a result, the cost of those additional and extended reliefs in the Collection Fund (i.e. the Authority's share of the collection fund deficit generated by the additional reliefs granted) will not be borne by the general fund until 2021-22. In contrast, the s31 grant awarded to the Authority in 2020-21 to compensate for the reduction in business rates income arising from the extended and additional reliefs must be accounted for in the year (2020-21). To offset the significant fall in business rates income in 2021-22 and the resulting collection fund deficit that will need to be taken into account when setting the 2021-22 revenue budget, the additional s31 grant received this year will be transferred to an earmarked reserve in 2020-21 and released in 2021-22 to offset the reduction in business rates income.

9.7 During the course of 2020-21 to date, additional costs due to Covid-19 have not been significant although some additional expenditure has been incurred. These include costs relating to:

- the provision of additional support for the homeless and rough sleepers
- PPE and other measures needed to meet social distancing requirements and ensure the safety of staff
- additional staff costs to meet service pressures and increased demands resulting from the pandemic.

9.8 In addition the Covid-19 crisis has disrupted the Authority's transformation and efficiency programmes. As a result, a number of the planned savings built into the budget will no longer be deliverable within the timescales previously envisaged.

9.9 Central government's response to Covid-19 has included a variety of packages to support local authorities, businesses and individuals. These include:

- additional funding for local authorities
- measures to alleviate pressures on local authority cash flows
- funding for grants administered by the Authority.

9.10 Additional funding measures include:

- Unringfenced grants (Covid-19 emergency funding - tranches 1 to 4) of £1,658,610 (including £64,382 paid in 2019-20) to meet urgent and unforeseen costs and financial pressures impacting on the Authority
- Council Tax Hardship Fund (£910,462) - aimed at providing support for "economically vulnerable people and households" affected by Covid-19. This funding will be used to provide recipients of working age local council tax support ('LCTS') with a further reduction in their 2020-21 council tax bill of up to £300. Additionally, some of the funding will be allocated to deliver increased financial assistance through other local support mechanisms, such as the Community Resilience and Welfare groups.

- Reopening High Streets Safely Fund (£86,416) - provided to support a range of practical safety measures including new signs, street markings and temporary barriers in preparation for the reopening of non-essential retail. This funding is also usable to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe.
- section 31 grant to compensate the Authority for its share of reductions in business rates income arising from expansion of the retail discount scheme and other additional business rates reliefs (i.e. expansion of the retail discount scheme (relief increased to 100% and scheme extended to cover occupied retail, leisure and hospitality properties in 2020-21), nursery discount and reinstatement and extension of pub relief).

9.11 In addition to the above, the government has announced an income guarantee scheme under which authorities will be compensated for 75% of losses of income from sale, fees and charges - for example, car parking charges - arising as a result of Covid-19 and the consequent reductions in economic activity. Under the scheme authorities will be required to absorb losses of up to 5% of their planned sales, fees and charges income, with the government compensating them for 75% of the losses in excess of the 5% threshold. Crucially however, commercial revenues, including rental amounts, are not considered relevant losses and will not be compensated for under this scheme.

9.12 During 2020-21 the Authority has, in addition to administering additional Business Rate reliefs, been responsible for implementing a range of other government initiatives aimed at providing support to local businesses in the form of grants to:

- businesses in receipt of Small Business Rates Relief and Rural Rates Relief
- eligible businesses in the Retail, Hospitality and Leisure sectors.

9.13 A grant of £42,194,000 was received by the Authority in April 2020 to fund these grants to local businesses. Of this £1,995,000 was subsequently allocated by government to support the Local Authority Discretionary Grant Fund aimed at providing grants to businesses not eligible for the Small Business Grant Fund or the Retail Hospitality and Leisure Grant Fund.

9.14 The government has also implemented a number of measures, aimed at alleviating pressures on cash flows (rather than providing additional funding). These include:

- advance payment of the s31 grant amounts relating to 2020-21 (paid in March 2020)
- deferral of the payment of the central share of NNDR (business rates).

9.15 It has also announced proposals that repayments to meet collection fund deficits accrued in 2020-21 will be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets.

9.16 The Covid-19 pandemic has also had a significant impact on the Authority’s workforce and on the delivery of the services it provides. The Authority has utilised technology to allow staff to work from home with minimal disruption to services. However, the lockdown measures implemented by government have meant some facilities such as leisure centres and car-parks have had to close and where appropriate staff in certain service areas have been redeployed. For those officers who cannot work from home, such as those engaged in refuse collection, working practices have been adapted to ensure their health and wellbeing.

9.17 The Council Strategy 2020-30 was approved by Council in December 2019. The Council Strategy sets out priority themes and a clear set of objectives for each theme over 10 years. Under normal circumstances the Council Strategy would be supported by a four year Delivery Plan mapping out in more detail how the Authority will deliver against the priorities and objectives in the Council Strategy over the medium term. However the Covid-19 pandemic means these are far from normal circumstances.

9.18 At the present time, the overall long term strategic direction set out in the Council Strategy does not need fundamental revision. However, the focus does need to shift in the shorter term to ensure:

- attention is appropriately directed toward supporting Allerdale's communities and businesses through the immediate crisis
- the Authority is positioned to support our communities and help rebuild the local economy during the transition and recovery phase
- the financial security of the Authority and the efficient and effective delivery of services.

9.19 To that end the Authority approved an interim, one year, delivery plan in June 2020 setting out the key projects, programmes and activities to be delivered during 2020-21 against the six priorities set out in the Council Strategy. For each priority the delivery plan sets out key projects that we need to keep on track over the coming year, the key service activity that will need to be focused on as we move through transition and recovery phases and the key performance measures that will be used to monitor the effective delivery of our services. The plan will be updated as appropriate over the course of 2020-21 as the situation evolves, as we develop our understanding of the full impact of the pandemic on the Authority, our economy and our communities and in light of developments in central government policy.

10. The Financial Statements

10.1 The Statement of Accounts summarises the Authority's transactions for the 2019-20 financial year and its financial position at 31 March 2020. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS).

10.2 The Statement of Responsibilities for the Statement of Accounts (page 27) sets out the responsibilities of the Authority and Authority's Chief Financial Officer (Head of Financial Services) in relation to the Statement of Accounts.

Financial Statements

10.3 The Financial Statements, set out in sections 2, 3 and 6, consists of:

- Single entity (Authority only) financial statements comprising:
  - (i). Comprehensive Income and Expenditure Statement for the period
  - (ii). Movement in Reserves Statement for the period
  - (iii). Balance Sheet as at the end of the period
  - (iv). Cash Flow Statement for the period
  - (v). notes, comprising significant accounting policies and other explanatory information
  - (vi). Accounting policies
- Collection Fund and related notes (section 4)
- Group Accounts and related notes (section 5)

Comprehensive Income and Expenditure Statement (page 33)

10.4 The 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement (page 34)

10.5 This 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’. The Movement in Reserves Statement shows how the movements in the Authority’s reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices (Total Comprehensive Income and Expenditure) 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 movement in the year following those adjustments.

Balance Sheet (page 35)

10.6 The Balance Sheet shows the value as at the Balance Sheet date 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. Reserves are reported in two categories.

(i). Usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

(ii). Unusable reserves, i.e. those that cannot be applied to fund expenditure or reduce taxation. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Cash Flow Statement (page 36)

10.7 This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. 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 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 recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows 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.

Collection Fund (page 122)

10.8 The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates (non-domestic rates - NDR).

Group Accounts (page 126)

10.9 The Group Accounts consolidate the financial statements of the Authority and its (material) interests in subsidiaries, associates and joint ventures.

10.10 The Group accounts set out in section 5 consolidate the financial statements of the following group entities with those of the Authority:

- Subsidiaries - Keswick Museum and Art Gallery, Helena Thompson Museum and Allerdale Waste Services Limited
- Joint venture - Allerdale Investment Partnership LLP

Further details can be found in notes G13 and G14 to the Group Accounts.

10.11 The notes to the group accounts provide narrative descriptions and disaggregation of those items presented in the group that differ from those included in the 'Authority Only' (single entity) statements and other disclosures specific to the group accounts. For items that do not differ between the 'Authority Only' and Group Accounts, reference should be made to the notes to the 'Authority Only' statements.

Glossary

10.12 A glossary of key terms used in the financial statements can be found in section 8 of this publication.

[1] Allerdale Borough Council's Responsibilities

The Authority is required to:

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

[2] The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Financial Services has:

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

The Head of Financial Services has also:

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

[3] Certification by the Head of Financial Services

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2020.

Catherine Nicholson FCCA
Head of Financial Services

Dated: 26 November 2020

[4] Audit Committee Approval

These statements were approved by the Audit Committee on 26 November 2020.

Councillor Alan Tyson
Chair of the Audit Committee

Dated: 26 November 2020

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLERDALE BOROUGH COUNCIL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Allerdale Borough Council (the 'Authority') and its subsidiaries and joint venture (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, 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. 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 2019/20.

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 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Head of Financial Services and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Financial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Head of Financial Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, investment property and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and investment property and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the valuations of investment and operational properties (PPE) are subject to the 'material valuation uncertainty' declaration issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. As at the valuation date, in the case of the assets valued for the 2019-20 accounts, there is a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value.

Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter. As disclosed in note 4 to the financial statements, at 31 March 2020 the Council's net pension liability includes the Authority's share of the pension schemes direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2020 is subject to the same material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards), outlined above in connection with the valuation of the Authority's investment and operational properties (PPE) at 31 March 2020. Our opinion is not modified in respect of this matter.

Other information

The Head of Financial Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 of the group and Authority 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 or a material misstatement of the other information. 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 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 the '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 matter 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 and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, 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
- 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, the Head of Financial Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 27, 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 Head of Financial Services. The Head of Financial Services 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Head of Financial Services 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 Head of Financial Services is responsible for assessing the group's and the Authority'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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

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 - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Allerdale Borough Council 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 43 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.

Gareth Kelly

Gareth Kelly, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow
30 November 2020

Comprehensive Income and Expenditure Statement

This 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.

		2019/20			2018/19 As Restated		
	Note	Exp. £'000	Inc. £'000	Net £'000	Exp. £'000	Inc. £'000	Net £'000
Finance & Legal		3,694	(410)	3,284	2,135	(703)	1,432
Economic Growth, Community Development & Placemaking		4,421	(1,715)	2,706	4,505	(1,962)	2,543
Environmental Services		11,077	(6,608)	4,469	11,504	(6,267)	5,237
Policy, Governance & People Resources		6,001	(2,014)	3,987	6,167	(1,739)	4,428
Leisure & Tourism		565	(204)	361	722	(191)	531
Customer Experience & Innovation		20,270	(17,958)	2,312	21,965	(19,769)	2,196
Cost of Services		**46,028**	**(28,909)**	**17,119**	**46,998**	**(30,631)**	**16,367**
(Gains)/losses on disposal of non-current assets	8			187			(31)
Parish council precepts				2,198			2,024
Other Operating Expenditure				**2,385**			**1,993**
Financing and Investment Income & Expenditure	9			**881**			**(1,182)**
Capital grants & contributions	10			(346)			(208)
Unringfenced revenue grants	10			(3,636)			(3,784)
Council tax income	10			(7,543)			(7,145)
Non-domestic rates income & expenditure	10			(3,705)			(3,893)
Taxation and non-specific grant income & expenditure				**(15,230)**			**(15,030)**
(Surplus) or Deficit on Provision of Services				**5,155**			**2,148**
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services							
(Surplus)/deficit on revaluation of non-current assets				(1,815)			(5,014)
Remeasurement of the net defined benefit liability	31			(2,405)			3,001
Other Comprehensive Income & Expenditure				**(4,220)**			**(2,013)**
Total Comprehensive Income & Expenditure				**935**			**135**

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end of the year 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'. The Movement in Reserves Statement shows how the movements in the Authority's reserves during the year 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 movement in the year after making those adjustments.

2019/20	General Fund Balance[1] £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves** (Note 16) **£'000**	Unusable Reserves (Note 17) **£'000**	**Total Authority Reserves £'000**
Balance at 1 April 2019	**7,358**	**1,038**	**418**	**8,814**	**33,152**	**41,966**
Surplus or (deficit) on provision of services	(5,155)	0	0	**(5,155)**	0	**(5,155)**
Other Comprehensive Income and Expenditure	0	0	0	**0**	4,220	4,220
Total Comprehensive Income and Expenditure	**(5,155)**	**0**	**0**	**(5,155)**	**4,220**	**(935)**
Adjustments between accounting basis & funding basis under regulations (note 15)	4,189	96	(170)	**4,115**	(4,115)	**0**
Net Increase/(Decrease) in Year	**(966)**	**96**	**(170)**	**(1,040)**	**105**	**(935)**
Balance at 31 March 2020	**6,392**	**1,134**	**248**	**7,774**	**33,257**	**41,031**

[1] The general fund balance at 31 March 2020 comprises earmarked balances of £3,248k (31 March 2019: £3,467k) and un-earmarked general fund balance of £3,144k (31 March 2019: of £3,891k).

2018/19	General Fund Balance[1] £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves** (Note 16) **£'000**	Unusable Reserves (Note 17) **£'000**	**Total Authority Reserves £'000**
Balance at 1 April 2018	**8,725**	**460**	**1,036**	**10,221**	**32,276**	**42,497**
Impact of adopting new accounting standards	(396)	0	0	**(396)**	0	**(396)**
Restated Balance at 1 April 2018	**8,329**	**460**	**1,036**	**9,825**	**32,276**	**42,101**
Surplus or (deficit) on provision of services	(2,148)	0	0	**(2,148)**	0	**(2,148)**
Other Comprehensive Income and Expenditure	0	0	0	**0**	2,013	**2,013**
Total Comprehensive Income and Expenditure	**(2,148)**	**0**	**0**	**(2,148)**	**2,013**	**(135)**
Adjustments between accounting basis & funding basis under regulations (note 15)	1,177	578	(618)	**1,137**	(1,137)	**0**
Net Increase/(Decrease) in Year	**(971)**	**578**	**(618)**	**(1,011)**	**876**	**(135)**
Balance at 31 March 2019	**7,358**	**1,038**	**418**	**8,814**	**33,152**	**41,966**

[1] The general fund balance at 31 March 2019 comprises earmarked balances of £3,467k (31 March 2018: £3,804k) and un-earmarked general fund balance of £3,891k (31 March 2018: of £4,921k).

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date 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. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

	Note	At 31/03/20 £’000	At 31/03/19 £’000
Property, Plant & Equipment	18	62,739	63,274
Heritage Assets	19	781	782
Investment Property	20	24,863	24,841
Intangible Assets	-	46	53
Long-term Investments	23	1,294	1,673
Long-term Debtors	-	452	187
Long-term (Non-Current) Assets		**90,175**	**90,810**
Inventory	-	102	76
Short-term Debtors	24	6,131	5,806
Prepayments	-	1,600	1,194
Cash and Cash Equivalents	26	9,020	6,373
Current Assets		**16,853**	**13,449**
Bank Overdraft	26	(1,572)	(1,959)
Short-term Borrowing	27	(974)	(605)
Short-term Creditors	28	(5,875)	(7,486)
Contract and Other liabilities	29	(4,508)	(2,222)
Provisions	30	(1,762)	(1,255)
Current Liabilities		**(14,691)**	**(13,527)**
Long-term Creditors & Receipts in Advance	-	(268)	(258)
Provisions	30	(238)	(287)
Long-term Borrowing	27	(16,563)	(14,747)
Defined Benefit Pension Scheme	31	(34,237)	(33,474)
Long-term Liabilities		**(51,306)**	**(48,766)**
Net Assets		**41,031**	**41,966**
Usable Reserves	16	7,774	8,814
Unusable Reserves	17	33,257	33,152
Total Reserves		**41,031**	**41,966**

These financial statements replace the unaudited financial statements certified by the Head of Financial Services on 14 August 2020.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. 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 recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows 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.

	Note	2019/20 £'000	2018/19 £'000
Net surplus or (deficit) on the provision of services	-	(5,155)	(2,148)
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	33	8,566	3,957
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	33	(446)	(915)
Net cash flows from Operating Activities		**2,965**	**894**
Net cash flows from Investing Activities	34	(2,380)	(2,569)
Net cash flows from Financing Activities	35	2,449	755
Net increase or (decrease) in cash and cash equivalents		**3,034**	**(920)**
Cash and cash equivalents at the beginning of the reporting period	26	4,414	5,334
Cash and cash equivalents at the end of the reporting period	26	**7,448**	**4,414**

1. Statement of Accounting Policies – Basis of Preparation

Single entity (Authority only) accounts

The Statement of Accounts summarises the Authority's transactions for the 2019-20 financial year and its financial position at 31 March 2020. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare for each financial year, a statement of accounts in accordance with proper practices. Under section 21(2) of the Local Government Act 2003, these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Significant accounting policies adopted in the preparation of the Authority's single entity (Authority only) and group financial statements are set out in section 6. The policies disclosed have been consistently applied to all the years presented, unless otherwise stated.

Group Accounts - basis of consolidation

The Group Accounts (contained in section 5) consolidate the financial statements of the Authority and its (material) interests in subsidiaries, associates and joint ventures. The accounting policies used in preparing the Group Accounts are those specified for the Authority's single entity (authority only) financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures in preparing the Group Accounts to ensure conformity with those accounting policies. Additional accounting policies relevant to the preparation of the Group Accounts are described in section 6.

2. Changes to Accounting Policies and Prior Period Adjustments

2.1 New or amended accounting standards adopted in 2018-19

The 2019-20 Code of Practice on Local Authority Accounting (the Code) adopts the requirements of the following new or amended standards effective for the first time to annual periods beginning on or after 1 April 2019:

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Information on these new standards and their impact on the Authority's single entity and group accounts is set out below.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The narrow-scope amendments to IFRS 9 clarify that the existence of prepayment features with negative compensation (i.e. where the amount received by the lender on repayment of a debt instrument is less than the unpaid amounts of principal and interest) does not necessarily prevent a financial asset from being measured at amortised cost (or at fair value through other comprehensive income, dependent on business model under which the instrument is held). Prior to the amendment, such features would have failed the SPPI criterion and resulted in the financial asset being measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must represent ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model. The phrase ‘reasonable compensation for the early termination’ is not defined but could include, for example, an adjustment to reflect the asset’s fair value based on current market interest rates.

The amendments also feature changes to the Basis of Conclusions of IFRS 9. These changes, although not an amendment to the standard, confirm that modifications and exchanges of financial liabilities measured at amortised cost that do not result in derecognition will result in immediate recognition of a gain or loss. This is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in derecognition of the financial asset.

The amendments to IFRS 9 apply retrospectively from 1 April 2019. Specific transitional reporting requirements apply, depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The 2018-19 Code update issued in March 2019, confirmed that the changes made to the Basis of Conclusions in relation to the modification or exchange of a financial liability that does not result in derecognition, apply on the adoption of the IFRS 9 and therefore apply retrospectively from 1 April 2018.

Impact

Application of these amendments to IFRS 9 has not impacted on amounts previously reported in the Authority’s single entity or group financial statements**.**

IAS 40 Investment Property: Transfers of Investment Property

IAS 40 requires transfers to or from, investment property to be made when, and only when, there is a change in use. The amendments to IAS 40 clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is [observable] evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use.

The amendments further clarify that the list of examples specified in IAS 40, that provide evidence of a change in use, are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments to IAS 40 apply prospectively to all changes in use that occur on or after 1 April 2019 (the date of initial application). On the date of initial application of the amendments, the Authority is required to reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date, with any impact from the reclassification recognised as adjustment to opening balances as at 1 April 2019. Retrospective application of the amendments by way of prior period restatement is only permitted if that is possible without the use of hindsight.

Additional disclosures are required if the requirements are adopted prospectively.

Application of these changes has not impacted on the classification of investment property in the Authority’s single entity or group accounts at 1 April 2019.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The 2014-2016 annual improvements cycle include amendments to a number of IFRSs relevant to local authorities.

(i) IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard.

(ii) IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value.

Application of these changes has not impacted on amounts previously recognised in the Authority's single entity or group accounts.

The amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, also included in the Annual Improvements to IFRSs 2014 – 2016 Cycle, does not apply to local authorities.

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard.

The amendment to IFRS 12 clarifies that disclosure of summarised financial information is not required for interests in subsidiaries, associates and joint ventures classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendment to IFRS 12 applies retrospectively from 1 April 2019.

IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value.

The amendments to IAS 28 clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9.

The amendments also clarify that if an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendment to IAS 28 applies retrospectively from 1 April 2019

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IAS 21 - The Effects of Changes in Foreign Exchange Rates, specifies the exchange rate(s) to use on initial recognition of a foreign currency transaction in an entity's functional currency. IAS 21 does not, however, address how to determine the exchange rate for the recognition of revenue when an entity has received advance consideration in a foreign currency.

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of a related asset, expense or income when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

For a single payment or receipt, the interpretation specifies that the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt of advance consideration.

The interpretation has been applied retrospectively from 1 April 2019. Application of IFRIC 22 has not had any impact on the Authority's single entity or group financial statements**.**

IFRIC 23 Uncertainty over Income Tax Treatments

IAS 12 Income Taxes sets out the requirements for current and deferred tax assets and liabilities but does not specify how the accounting should reflect uncertainty over income tax treatments. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 in relation to both current and deferred tax when there is uncertainty over income tax treatments. The interpretation does not apply to indirect taxes such as VAT, as such taxes are not taxes on profits and are therefore not in the scope of IAS 12. The interpretation addresses:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

IAS 12 Income Taxes does not apply to local authority single entity financial statements and application of the interpretation has not impacted on the Authority's group financial statements.

The interpretation has been applied retrospectively from 1 April 2019.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature*.* The amendment is not relevant to the Authority's single entity statements and has not impacted on the Authority's group financial statements.

2.2 Prior period adjustments

(i) Restatement of comparative amounts reported in the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis

The service expenditure analysis used in the presentation of individual line items within the cost of services section of the Comprehensive Income and Expenditure Statement, is based on the organisational structure under which the Authority operates. During 2019-20 significant changes were made to the allocation of services across Executive Member portfolios. This required changes to be made to the presentation of individual line items within the cost of services section of the Comprehensive Income and Expenditure Statement.

To ensure consistency and enhance inter-period comparability, the previously reported service analysis for 2018-19 has been restated in line with the aggregation of service income and expenditure used in 2019-20.

Adjustments have also been made to the comparative amounts reported in the Expenditure and Funding Analysis (Note 6), consistent with the changes made to the aggregation of service income and expenditure within the Comprehensive Income and Expenditure Statement. Details of the changes made to previously reported amounts within the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis are summarised below:

Comprehensive Income and Expenditure Statement (Net Cost of Services)

Executive Portfolio	2018/19 As Previously Reported		
	Expenditure £'000	Income £'000	Net £'000
Corporate Resources	3,646	(310)	3,336
Economic Growth	2,295	(1,874)	421
Housing, Health & Wellbeing	3,672	(1,788)	1,884
Leader of the Council	1,674	(41)	1,633
Environmental Quality	11,575	(6,248)	5,327
Governance & People Resources	1,652	(441)	1,211
Tourism & Culture	744	(190)	554
Transformation	21,740	(19,739)	2,001
Net Cost of Services	**46,998**	**(30,631)**	**16,367**

Executive Portfolio	2018/19 As Restated		
	Expenditure £'000	Income £'000	Net £'000
Finance & Legal	2,135	(703)	1,432
Economic Growth, Community Development & Placemaking	4,505	(1,962)	2,543
Environmental Services	11,504	(6,267)	5,237
Policy, Governance & People Resources	6,167	(1,739)	4,428
Leisure & Tourism	722	(191)	531
Customer Experience & Innovation	21,965	(19,769)	2,196
Net Cost of Services	**46,998**	**(30,631)**	**16,367**

Expenditure and Funding Analysis

Executive Portfolio	2018/19 – As Previously Reported		
	Net Expenditure chargeable to General Fund (GF) Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income & Expenditure Statement £'000
Corporate Resources	5,364	(2,028)	3,336
Economic Growth	(1,671)	2,092	421
Housing, Health & Wellbeing	1,153	731	1,884
Leader of the Council	1,471	162	1,633
Environmental Quality	3,517	1,810	5,327
Governance & People Resources	1,259	(48)	1,211
Tourism & Culture	374	180	554
Transformation	1,712	289	2,001
Net Cost of Services	**13,179**	**3,188**	**16,367**
Other Operating Expenditure	2,024	(31)	1,993
Financing & Investment Income & Expenditure	0	(1,182)	(1,182)
Capital expenditure financed from GF Bal.	312	(312)	0
Taxation & non-ringfenced grants	(14,544)	(486)	(15,030)
Other Income and Expenditure	**(12,208)**	**(2,011)**	**(14,219)**
(Surplus) or Deficit on the General Fund	**971**	**1,177**	**2,148**
Opening General Fund Balance	8,725		
Impact of adopting new accounting standards	(396)		
Surplus or (Deficit) on General Fund in Year	(971)		
Closing General Fund Balance at 31 March	**7,358**		

Executive Portfolio	2018/19 – As Restated		
	Net Expenditure chargeable to General Fund (GF) Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income & Expenditure Statement £'000
Finance & Legal	3,154	(1,722)	1,432
Economic Growth, Community Development & Placemaking	(70)	2,613	2,543
Environmental Services	3,427	1,810	5,237
Policy, Governance & People Resources	4,426	2	4,428
Leisure & Tourism	352	179	531
Customer Experience & Innovation	1,890	306	2,196
Net Cost of Services	**13,179**	**3,188**	**16,367**
Other Operating Expenditure	2,024	(31)	1,993
Financing & Investment Income & Expenditure	0	(1,182)	(1,182)
Capital expenditure financed from GF Bal.	312	(312)	0
Taxation & non-ringfenced grants	(14,544)	(486)	(15,030)
Other Income and Expenditure	**(12,208)**	**(2,011)**	**(14,219)**
(Surplus) or Deficit on the General Fund	**971**	**1,177**	**2,148**
Opening General Fund Balance	8,725		
Impact of adopting new accounting standards	(396)		
Surplus or (Deficit) on General Fund in Year	(971)		
Closing General Fund Balance at 31 March	**7,358**		

3. Critical Judgements made in applying Accounting Policies

In applying the accounting policies set out in section 6, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

i. Investment Properties – determination of whether land and buildings owned by the Authority are investment properties

In accordance with the Code of Practice on Local Authority Accounting and IAS 40 - *Investment Property*, the Authority classifies as investment property properties (i.e. land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or

b) sale in the ordinary course of operations.

In accordance with IAS 40, the Authority classifies property held for a 'currently undetermined future use' as investment property and measures these assets at fair value based on the amount that would be paid for the asset in its highest and best use from a market participant's perspective i.e. market value at the balance sheet date.

Under the Code, property held for a 'currently undetermined future use' may be classified as a surplus asset within property, plant and equipment and carried in the balance sheet at current value. Consistent with the requirements of the Code, the current value of surplus assets is determined on the basis of fair value, estimated at highest and best use from a market participant's perspective. The same basis used for the valuation of investment property.

ii. Consolidation of charitable organisations controlled by the Authority

IFRS 10, Consolidated Financial Statements and the Code of Practice on Local Authority Accounting, requires the Authority to consolidate in its group accounts, entities that it controls. Control exists only if an investor has (i) power over an investee (entity to be consolidated) i.e. existing rights that give it the current ability to direct (unilaterally) the relevant activities of the investee, (ii) exposure to variable returns from its involvement with an investee i.e. the returns have the potential to vary as a result of the entity's performance, and (iii) the ability to use its power to affect the level of variable returns. All three of these criteria must be met for an investor to have control over an investee. The terms 'investor' and 'investee' in the context of IFRS 10 and the Code are used to express a relationship where one entity controls another. The Authority (investor) is not required to have a financial interest in the investee for this to be the case.

The Code does not make any specific comments on the consolidation of charitable organisations in local authority financial statements. Local authorities are therefore required to follow the requirements of IFRS 10 in the Code and, where material, consolidate any charitable trust or fund where an authority meets the three criteria for control identified above.

The Authority is the sole trustee of:

- Keswick Museum and Art Gallery, an unincorporated charitable trust established under a charity scheme dated 11 January 1995.
- Helena Thompson Museum, an unincorporated charitable trust established under the will of the late Helena Agnes Mary Thompson.

Based on the relevant facts and circumstances, the Authority has concluded that - notwithstanding the restrictions imposed by the trusts' governing documents and charity law - it has control of both trusts and accordingly it should, subject to materiality considerations, include the assets, liabilities and reserves of the trusts in the Authority's Group Accounts. In forming this judgement the Authority has taken into consideration its:

- ability to direct unilaterally, the operating and financing activities under powers established by the trusts' governing documents and by statute
- exposure to variable returns associated with its responsibilities as trustee and ongoing commitments to provide financial support to the trusts.

Non-consolidation of Keswick Museum and Art Gallery would:

- reduce the carrying amount of non-current assets at 31 March 2020 by £1,134,140 (31 March 2019: £1,134,140)
- reduce the balance of group reserves at 31 March 2019 by £1,134,140 (31 March 2018: £1,134,140).

Non-consolidation of the Helena Thompson Museum would:

- reduce the carrying amount of non-current assets at 31 March 2020 by £1,265,606 (31 March 2019: £1,289,336)
- reduce the balance of group reserves at 31 March 2020 by £1,265,606 (31 March 2019: £1,289,336).

iii. Leases – determination of whether contractual arrangements entered into have the substance of a lease

The Authority has made judgements on whether its contractual arrangements contain embedded leases. i.e. arrangements that do not have the legal form of a lease but convey a right to use an asset in return for payments in circumstances where fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

In making those judgements the Authority has applied IFRIC 4 – *Determining whether an Arrangement contains a Lease*, and has determined that the service partnering agreements with FCC Environment Services (UK) Limited and ISS (Tivoli) for waste collection and recycling, street cleaning and grounds maintenance services, do not contain a leasing arrangement as fulfilment of the arrangement is not dependant on the use of specific assets. The expenditure on the FCC and ISS (Tivoli) contracts are consequently charged to the appropriate service line item within the Comprehensive Income and Expenditure Statement.

Had the arrangements been determined to contain a lease, IAS 17: *Leases* would apply. This would require the Authority to:

- separate payments under the contract into those for the lease and those for other elements of the contract on the basis of their relative fair values
- classify the lease as an operating or finance lease in accordance with IAS 17.

Classification of the leasing component of the arrangement as an operating lease would not have a material impact on the amounts charged to the Comprehensive Income and Expenditure Statement but would require the Authority to disclose in note 38 - Leases:

- the total future minimum lease payments payable at the balance sheet date
- the value of lease payments recognised as an expense in the period - with separate amounts shown for minimum lease payments and contingent rentals.

Classification of the lease as a finance lease would require the Authority to recognise the vehicles and other equipment subject to the embedded lease arrangement on its balance sheet along with a liability to pay the lessor and to account for these in accordance with the accounting policy set out in Section 6, note 15.

The payments made under these contracts in 2019-20 were £1.457m (street cleaning and grounds maintenance only) (2018-19: £5.226m - waste collection and recycling, street cleaning and grounds maintenance).

Classification of the lease as a finance lease would impact on the portion of the contract payment included in the Comprehensive Income and Expenditure Statement. It would also require depreciation to be recognised on the vehicles and other equipment subject to the embedded lease arrangement. However, reversal of depreciation through the Movement in Reserves Statement to the Capital Adjustment Account and the recognition of MRP at an amount equal to the element of the lease payment that goes to write down the balance sheet liability, means that the overall charge to the general fund would again be unaffected by classification of the lease as a finance lease.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Based on remaining asset lives it is estimated that the annual depreciation charge for operational assets will increase by £405,804 per year, if the useful lives of individual assets were to be reduced by two years. However, statutory accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Provisions	The Authority's balance sheet at 31 March 2020 includes provisions totalling £2,000,157 (31.3.19: £1,542,370). This includes: • £1,448,369 (31.3.19: £1,138,587) in respect of the Authority's share of the liability for refunding business ratepayers	The amounts recognised in the financial statements are based on the best estimate of the expenditure required to settle the obligation. Any subsequent increase or decrease in the amounts required to settle these obligations over the amounts provided for in the financial

Item	Uncertainties	Effect if actual results differ from assumptions
	who successfully appeal against the rateable value of their properties on the rating list • £92,367 (31.3.19: £97,367) in respect of insured liabilities including £72,367 (31.3.19: £91,909) relating to the estimated liability for incidents incurred but not yet reported to the insurer or the Authority • A legal claims provision of £236,750 (31.3.19: £265,634).	statements would lead to a corresponding decrease or increase in the General Fund balance or - for changes to the provision for business rates appeals not yet distributed in accordance with statutory provisions - the Collection Fund Adjustment Account balance.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 31. During 2019-20, the Authority's actuaries advised that the gross pension liability decreased by £2.946m (2018-19: £7.466m increase). This includes a decrease of £5.381m as a result of experience losses and re-measurements associated with changes in financial and demographic assumptions.
Fair value measurements – Investment Property	The Authority uses an income approach or a market approach, to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement of investment property using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Information about the valuation techniques and key inputs used in determining the fair value of the Authority's investment properties is disclosed in note 20 (Investment Property).	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.
Current value measurements - Operational Land and Buildings	With the exception of specialised assets, the Authority uses an income approach or a market approach, to measure the current value of its operational land and buildings. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. The	Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings.

Item	Uncertainties	Effect if actual results differ from assumptions
	significant unobservable inputs used in the current value measurement of operational land and buildings using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Significant unobservable inputs used in the current value measurement of property using the Cost (DRC) income approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.	
Fair value measurements – Financial Assets	Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), valuation techniques including use of discounted cash flow (DCF) models are used to measure fair value. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.	Significant changes in assumptions and unobservable inputs used would result in a significantly lower or higher fair value measurement financial assets/liabilities.

Impact of Covid-19 on property valuations carried out at 31 March 2020

In addition to the matters referred to above, the valuations of investment and operational properties (PPE), carried out by external valuers Wilks, Head & Eve as at 31 March 2020, are subject to the following 'material valuation uncertainty' declaration issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards:

'The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted many aspects of daily life and the global economy with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the assets valued for the 2019-20 accounts covered by this report, there is a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value. Our valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards.

Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that Covid-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that you keep the valuations contained within this report under frequent review.'

Impact of Covid-19 on the valuation of the Authority's share of direct and indirect property investments held by the Cumbria Local Government Pension Scheme

At 31 March 2020 the net pension liability of £34,237k includes £77,372k in respect of the Authority's share of assets held by the Cumbria LGPS. This includes £6,731k in respect of the Authority's share of the schemes direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2020 is subject to the same material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards), outlined above in connection with the valuation of the Authority's investment and operational properties (PPE) at 31 March 2020.

5. Impact of New Accounting standards not yet Adopted

The 2020/21 Code of Practice on Local Authority Accounting – applicable to financial years commencing on or after 1 April 2020 - includes the following changes to accounting standards and interpretations that have been issued but not yet adopted.

Narrow Scope Amendments to IFRS:

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material

At its meeting on 27 March 2020 the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of IFRS 16 – Leases, from 1 April 2020 to 1 April 2021 in-line with the government's Financial Reporting Advisory Board's proposals for central government departments.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including the standard's impairment requirements, applies to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (for example a long-term loan) that, in substance, form part of the entity's net investment in an associate or joint venture.

The amendments also clarify that in applying IFRS 9 to such long-term interests, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments to IAS 28 apply retrospectively from 1 April 2019. However, restatement of prior periods to reflect the application of the amendments is not required and restatement of prior periods is permitted only if it is possible to do so without the benefit of hindsight. Where prior periods are not restated, any difference between the previous carrying amount of long-term interests and the carrying amount of those long-term interests at 1 April 2019 is recognised as an adjustment of opening balances at 1 April 2019.

Application of these amendments are not expected to have an impact on the Authority's single entity or group financial statements**.**

Annual Improvements to IFRS Standards 2015-2017 Cycle

The 2015-2017 annual improvements cycle include amendments to a number of IFRSs relevant to local authorities.

(i) IFRS 3 Business Combinations, IFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation -Clarification of the scope of the Standard.

(ii) IAS 12 Income Taxes - Income tax Consequences of Payments on Financial Instruments Classified as Equity

(iii) IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalisation.

None of these changes are expected to have a material impact on the Authority's single entity or group accounts.

IFRS 3 Business Combinations, IFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation - Clarification of the scope of the Standard

<u>IFRS 3 Business Combinations</u>

The amendments to IFRS 3 clarify that, when a party to a joint operation that is a business, obtains control of that joint operation, the transaction is a business combination achieved in stages. The acquirer therefore applies the requirements for a business combination achieved in stages including remeasuring its entire previously held interest in the assets and liabilities of the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The amendment applies to business combinations for which the acquisition date is on or after 1 April 2019.

<u>IFRS 11 Joint Arrangements</u>

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation. This is because such a change does not change the group boundaries.

The amendments are effective for transactions involving obtaining joint control on or after 1 April 2019.

IAS 12 Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments to IAS 12 clarify that the income tax consequences of dividends must be recognised in the same component of profit or loss, other comprehensive income or equity as the originating transaction or event that generated the distributable profits.

These amendments apply to local authority Group Accounts and are applicable to annual periods beginning on or after 1 January 2019. On initial application, the amendments apply to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalisation

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is established by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the all borrowings of the entity that are outstanding during the period other than borrowings made specifically for the purposes of obtaining a qualifying asset.

The amendments to IAS 23 clarify that this exclusion applies to such (specific) borrowings up until the point at which 'substantially all the activities necessary to prepare a qualifying asset for its intended use or sale are complete'. Thereafter, any remaining specific borrowing related to that asset is included in the entity's general borrowings for the purpose of calculating the capitalisation rate.

The amendments to IAS 23 apply prospectively to borrowing costs incurred on or after 1 April 2020.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 clarify the accounting for defined benefit pension obligations when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that where an entity remeasures the net defined benefit liability or asset following a plan amendment, curtailment or settlement during the annual reporting period, an entity is required to:

- determine current service cost and net interest for the remainder of the reporting period using the same updated actuarial assumptions as those used for the remeasurement of the net defined benefit liability (asset), and
- determine the net interest for the remainder of the reporting period on the basis of the remeasured net defined benefit liability (asset), reflecting the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that in measuring past service cost, or a gain or loss on settlement, as a result of a plan amendment, curtailment or settlement, the effect of the asset ceiling should not be considered. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments to IAS 19 apply prospectively to plan amendments, curtailments, or settlements occurring on or after the 1 April 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to various IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

Some standards and interpretations refer to or quote from contain references to, or quotations from, the Conceptual Framework for Financial Reporting issued in 2010 or from its predecessor, the IASC's Framework for the Preparation and Presentation of Financial Statements (adopted by the IASB in 2001).

Amendments to References to the Conceptual Framework in IFRS Standards updates some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

In addition, the amendments clarify that the definitions of asset and liability applied in certain standards have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments are effective for annual periods beginning on or after 1 April 2020.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, aligns the definition of 'material' across IFRSs and other IASB publications and clarifies certain aspects of the definition.

Under the revised definition, information is considered material 'if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The changes to the definition:

- introduce the concept that important information should not be obscured, for example by including information that is immaterial or inappropriately aggregated;
- increase the threshold to determine whether information is material from 'could influence' to 'could reasonably be expected to influence'; and
- clarify that the users to which the definition refers are the primary users of a specific entity's general purpose accounts i.e. existing and potential investors, lenders and other creditors.

In IAS 8 the definition of material has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 April 2020.

6. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority for the year (i.e. government grants, rents, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Authority 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 Authority's Executive Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Executive Portfolio	2019/20 Net Expenditure chargeable to General Fund (GF) Balances (statutory basis) £'000	2019/20 Adjustments between the Funding and Accounting Basis Note 6.1a £'000	2019/20 Net Expenditure in Comprehensive Income & Expenditure Statement (accounting basis) £'000
Finance & Legal	4,557	(1,273)	3,284
Economic Growth, Community Development & Placemaking	282	2,424	2,706
Environmental Services	3,310	1,159	4,469
Policy, Governance & People Resources	3,082	905	3,987
Leisure & Tourism	280	81	361
Customer Experience & Innovation	1,945	367	2,312
Net Cost of Services	**13,456**	**3,663**	**17,119**
Other Operating Expenditure	2,198	187	2,385
Financing & Investment Income & Expenditure	0	881	881
Capital expenditure financed from GF Bal.	14	(14)	0
Taxation & non-ringfenced grants	(14,702)	(528)	(15,230)
Other Income and Expenditure	**(12,490)**	**526**	**(11,964)**
(Surplus) or Deficit on the General Fund	**966**	**4,189**	**5,155**
Opening General Fund Balance	(7,358)		
Impact of adopting new accounting standards	0		
Surplus or (Deficit) on General Fund in Year	966		
Closing General Fund Balance at 31 March	**(6,392)**		

Executive Portfolio	2018/19 – As Restated Net Expenditure chargeable to General Fund (GF) Balances £'000	2018/19 – As Restated Adjustments between the Funding and Accounting Basis £'000	2018/19 – As Restated Net Expenditure in Comprehensive Income & Expenditure Statement £'000
Finance & Legal	3,154	(1,722)	1,432
Economic Growth, Community Development & Placemaking	(70)	2,613	2,543
Environmental Services	3,427	1,810	5,237
Policy, Governance & People Resources	4,426	2	4,428
Leisure & Tourism	352	179	531
Customer Experience & Innovation	1,890	306	2,196
Net Cost of Services	**13,179**	**3,188**	**16,367**
Other Operating Expenditure	2,024	(31)	1,993
Financing & Investment Income & Expenditure	0	(1,182)	(1,182)
Capital expenditure financed from GF Bal.	312	(312)	0
Taxation & non-ringfenced grants	(14,544)	(486)	(15,030)
Other Income and Expenditure	**(12,208)**	**(2,011)**	**(14,219)**
(Surplus) or Deficit on the General Fund	**971**	**1,177**	**2,148**
Opening General Fund Balance	8,725		
Impact of adopting new accounting standards	(396)		
Surplus or (Deficit) on General Fund in Year	(971)		
Closing General Fund Balance at 31 March	**7,358**		

6.1 Expenditure and Funding Analysis

Decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports that analyse income and expenditure across six Executive Portfolios.

These reports are prepared on a statutory basis (also referred to as the funding basis), reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on employer's pension contributions payable and direct payments made to pensioners rather than current service cost of benefits accrued in the year.

(a) Adjustments between the Funding and Accounting Basis

A summary of adjustments to Net Expenditure Chargeable to the General Fund (GF) to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts is shown in the following table:

2019/20	Reallocation of Other Income & Expenditure (Note 6.1b) £'000	Statutory Accounting Adjustments: Adjustments for Capital Purposes (Note 6.1c) £'000	Statutory Accounting Adjustments: Net change for Pensions Adjustments (Note 6.1d) £'000	Statutory Accounting Adjustments: Other Differences (Note 6.1e) £'000	Total £'000
Finance & Legal	(910)	(1,082)	715	4	(1,273)
Economic Growth, Community Development & Placemaking	1,517	675	216	16	2,424
Environmental Services	0	1,068	85	6	1,159
Policy, Governance & People Res.	0	751	149	5	905
Leisure & Tourism	0	52	29	0	81
Customer Experience & Innovation	0	65	297	5	367
Net Cost of Services	**607**	**1,529**	**1,491**	**36**	**3,663**
Other Operating Expenditure	0	187	0	0	187
Financing and Investment Income and Expenditure	(607)	688	812	(12)	881
Capital expenditure charged to General Fund Balances	0	(14)	0	0	(14)
Taxation & non-ringfenced grants	0	(346)	0	(182)	(528)
Other income and expenditure from Expenditure and Funding Analysis	**(607)**	**515**	**812**	**(194)**	**526**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**2,044**	**2,303**	**(158)**	**4,189**

2018/19 (as restated)	Reallocation of Other Income & Expenditure	Statutory Accounting Adjustments			Total
		Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other Differences	
	(Note 6.1b)	(Note 6.1c)	(Note 6.1d)	(Note 6.1e)	
	£'000	£'000	£'000	£'000	£'000
Finance & Legal	(449)	(678)	(610)	15	(1,722)
Economic Growth, Community Development & Placemaking	1,747	686	179	1	2,613
Environmental Services	0	1,711	99	0	1,810
Policy, Governance & People Res.	0	(77)	86	(7)	2
Leisure & Tourism	0	154	24	1	179
Customer Experience & Innovation	0	28	277	1	306
Net Cost of Services	**1,298**	**1,824**	**55**	**11**	**3,188**
Other Operating Expenditure	0	(31)	0	0	(31)
Financing and Investment Income and Expenditure	(1,298)	(622)	734	4	(1,182)
Capital expenditure charged to General Fund Balances	0	(312)	0	0	(312)
Taxation & non-ringfenced grants	0	(208)	0	(278)	(486)
Other income and expenditure from Expenditure and Funding Analysis	**(1,298)**	**(1,173)**	**734**	**(274)**	**(2,011)**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**651**	**789**	**(263)**	**1,177**

(b) Reallocation of Other Income & Expenditure

Reallocations comprise amounts included in the portfolio service analysis used for decision making purposes but reported below the Net Cost of Services (NCS) line in the Comprehensive Income & Expenditure Statement.

	2019/20	2018/19
	£'000	£'000
Interest payable & similar charges	(840)	(830)
Interest & investment income	(24)	327
Income & expenditure relating to investment properties	1,502	1,864
Impairment of financial assets	(31)	(63)
Reallocation from service expenditure to financing & investment income & expenditure	**607**	**1,298**

(c) Adjustments for Capital Purposes

Adjustments for capital purposes comprise for:

(i) Net Cost of Services: the recognition of capital grants & contributions and revenue expenditure funded from capital under statute. They also include the addition of depreciation, impairments and revaluation losses on non-current assets (PPE).

(ii) Other Income and Expenditure totals:

- removal from the amounts reported for decision making purposes of items relating to the use of general fund balances (including the use of earmarked general fund balances) to finance capital expenditure and statutory provision for the financing of capital expenditure (Minimum Revenue Provision) neither of which are chargeable under generally accepted accounting practices
- recognition within the Other Operating Income and Expenditure of the gains and losses arising on derecognition of non-current assets (PPE)
- the inclusion of changes in the fair values of investment properties and (gains) or losses on disposal of investment properties within the Financing and investment income and expenditure line item, and
- the recognition of non-ringfenced capital grants, contributions and donations within the Taxation and non-specific grant income and expenditure line item.

	2019/20 £'000	2018/19 £'000
Depreciation, amortisation, impairment and revaluation	1,899	2,619
Revenue expenditure funded from capital under statute	1,791	1,888
Capital grants & contributions credited to cost of services	(1,228)	(1,253)
Capital receipts arising on repayment of grants	(15)	0
Statutory provision for the financing of capital investment (MRP)	(1,122)	(671)
(Gains)/losses on sale of non-current assets (PPE)	187	(31)
Changes in the fair values of investment properties	523	(604)
(Gains) or losses on disposal of investment properties	(75)	(18)
Non-ringfenced capital grants, contributions and donations	(346)	(208)
Use of General Fund & Earmarked balances to finance capital expenditure	190	(1,071)
Movement in fair value of investments (capital debtor)	240	0
	2,044	**651**

(d) Net Change for the Pensions Adjustments

The net change for the Pensions Adjustments comprises the removal of pension contributions and direct payments to pensioners and the addition of employee benefits pension related expenditure and income in accordance with the Code and IAS 19 Employee Benefits.

For the net cost of services, the adjustments comprise the removal of the employer pension contributions and direct payments to pensioners made in accordance with statutory provisions and the inclusion of current service costs, past service costs/(gains) and (gains)/losses from curtailments.

For financing and investment income and expenditure, the adjustment comprises the recognition of the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement.

	2019/20 £'000	2018/19 £’000
IAS 19 pension costs included in net cost of services	3,394	2,037
Employers pension contributions and direct payments to pensioners	(1,903)	(1,982)
Net interest on net defined benefit liability	812	734
	2,303	**789**

(e) Other Differences

Other differences between amounts charged or credited to the Comprehensive Income and Expenditure Statement and amounts recognised under statute comprise for:

(i). Net Cost of Services: adjustments to expenditure to reflect timing differences associated with recognition of the costs of short-term paid absences (holiday pay)

(ii). Financing and Investment Income and Expenditure: adjustments to the General Fund for the timing differences associated with the recognition of premiums and discounts arising from the premature repayment of debt

(iii). Taxation and Non-Specific Grant Income and Expenditure: timing differences related to differences between the amount of council tax and non-domestic rates income credited to the Authority's general fund in accordance with statutory requirements and the amount of council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement under generally accepted accounting practices included in the Code.

	2019/20 £'000	2018/19 £'000
Movement on accrual for Employee Short-term Paid Absences	36	11
Adjustments involving the Financial Instrument Adjustment Account	(12)	4
Income from Council Tax – transfer to the Collection Fund Adjustment Account	(4)	70
Income from Business Rates – transfer to the Collection Fund Adjustment Account	(178)	(348)
	(158)	**(263)**

6.2 Expenditure and Income analysed by Nature

	2019/20 £'000	2018/19 £'000
Fees, charges & other service income	(8,605)	(8,635)
Interest & investment income (interest receivable)	264	(327)
Income and expenditure relating to investment properties	(1,502)	(1,864)
Income from council tax & business rates	(11,248)	(11,038)
Grants & contributions	(24,287)	(25,988)
Change in fair value of investment properties	0	(604)
Total Income	**(45,378)**	**(48,456)**
Employee expenses	11,232	9,264
Other service expenses	32,347	35,115
Depreciation, amortisation, impairment and revaluation	1,899	2,619
Other amounts written-off non-current assets	551	0
Interest payments	828	834
Net interest on defined benefit pension liability	812	734
Precepts & levies	2,198	2,024
Impairment of financial assets (credit losses)	31	63
Gain or loss on disposal of non-current assets	112	(49)
Change in fair value of investment properties	523	0
Total operating expenses	**50,533**	**50,604**
(Surplus) or deficit on the provision of services	**5,155**	**2,148**

6.3 Revenue from Contracts with Service Recipients

Income from fees, charges & other service income, including revenue generated from contracts with service recipients, disaggregated by service activity is as follows:

	2019/20 £'000	2018/19 £'000
Car Parks	(3,183)	(3,274)
Waste Collection	(1,526)	(1,244)
Planning	(404)	(584)
Building Control	(226)	(359)
Licencing & Land charges	(306)	(341)
Sale of Recyclables	(262)	(281)
Cemeteries	(263)	(254)
Housing Services grant administration fees	(159)	(185)
Recovery of overpaid benefits	(211)	(253)
Recycling credits	(938)	(977)
Tenanted Properties	(99)	(133)
Revenues Court costs recovered	(157)	(182)
Markets	(72)	(83)
Other	(689)	(485)
	(8,495)	**(8,635)**
Recharges to Allerdale Waste Services Limited	(110)	0
	(8,605)	**(8,635)**

7. Grant income recognised in the cost of services

The Authority credited the following grants, contributions and donations to costs of services in the Comprehensive Income and Expenditure Statement.

7.1 Revenue Grants credited to Services in Comprehensive Income & Expenditure Statement

	2019/20 £'000	2018/19 £'000
DWP- Housing Benefit Administration	(246)	(263)
Grant received in relation to NNDR Cost of Collection Allowance	(183)	(182)
DWP - Grant received in relation to Rent Allowances	(16,619)	(18,254)
DWP - Discretionary Housing Payments	(215)	(268)
MHCLG - Localising Council Tax Support Administration Subsidy	(121)	(124)
MHCLG - Council Tax Flood Relief	(3)	(5)
Sellafield Limited - Social Impact Investment Fund	(397)	(576)
Grant received in relation to Area of Outstanding Natural Beauty	(129)	(136)
Cumbria County Council - Second Homes Income	0	(195)
Electoral Commission - General & European elections referendum	(328)	0
DCLG - Coastal Heritage Fund	(50)	0
DCLG - Towns Fund	(162)	0
DCLG - Future High streets	(150)	0
Other Grants and contributions	(474)	(739)
	(19,077)	**(20,742)**

7.2 Capital Grants credited to Services in Comprehensive Income and Expenditure Statement

	2019/20 £'000	2018/19 £'000
Capital Grants received and applied in the current year		
Better Care Funding (DFG)	(1,214)	(1,254)
Application of s106 receipts	(14)	0
Capital Grants received in current year but not applied		
Better Care Funding (DFG)	0	0
	(1,228)	**(1,254)**

8. Gains and losses on disposal of non-current assets

	2019/20			2018/19		
	Gains £'000	Losses £'000	Net £'000	Gains £'000	Losses £'000	Net £'000
Non-Current Assets Held for Sale	0	0	0	(96)	0	(96)
Property, Plant & Equipment	0	187	187	0	65	65
	0	**187**	**187**	**(96)**	**65**	**(31)**
Investment property	**(75)**	**0**	**(75)**	**(78)**	**60**	**(18)**

9. Financing and investment income and expenditure

	2019/20 £'000	2018/19 £'000
Interest payable and similar charges	821	829
Interest receivable and similar income	264	(327)
Income & expenditure relating to investment properties	(1,502)	(1,864)
Changes in fair values of investment properties	523	(604)
(Gains)/losses on disposal of investment properties	(75)	(18)
Net interest on the net defined benefit liability	812	734
Impairment (credit) losses on trade receivables	31	5
Impairment (credit) losses on other financial assets	0	58
Unwinding of discount on provisions	7	5
	881	**(1,182)**

Interest payable and similar charges comprises:

	2019/20 £'000	2018/19 £'000
Interest expense on financial liabilities (not measured at FVTPL)		
- Interest on PWLB Borrowing	822	828
- Other interest	(1)	1
	821	**829**

Interest receivable and similar income comprises:

	2019/20 £'000	2018/19 £'000
Net (gains)/losses on:		
- financial assets measured at fair value through profit or loss	295	(241)
- financial assets measured at amortised cost	0	(63)
Interest revenue on financial assets measured at amortised cost	(31)	(23)
Interest revenue on financial assets measured at fair value through other comprehensive income and expenditure	0	0
	264	**(327)**

Analysis of the gain or loss on financial assets measured at amortised cost

The net gain recognised in the Comprehensive Income and Expenditure Statement arising from the derecognition of financial assets measured at amortised cost comprises:

	2019/20 £'000	2018/19 £'000
Gains	0	(63)
Losses	0	0
Net (gain)/Loss	**0**	**(63)**

Reported gains in 2018-19 relate to the premium paid to compensate the Authority for the loss of future interest income following the premature redemption of Housing Association loans during the year. The repayment was made at the request of the Housing Association.

10. Taxation and Non-Specific Grant Income and Expenditure

The Authority has credited the following grants, contributions and donations to 'Taxation and non-specific grant income and expenditure' in the Comprehensive Income and Expenditure Statement.

10.1 Capital Grants Credited to Taxation and Non-Specific Grant Income

	2019/20 £'000	2018/19 £'000
Capital Grants received and applied in the current year	(346)	(208)
Capital Grants received in current year but not applied	0	0
	(346)	**(208)**

10.2 Unringfenced revenue grants credited to Taxation and Non-Specific Grant Income

	2019/20 £'000	2018/19 £'000
Revenue Support Grant	(196)	(652)
New Homes Bonus Scheme Grant	(838)	(1,004)
Section 31 Grant – Business Rates	(2,200)	(1,747)
Other	(402)	(381)
	(3,636)	**(3,784)**

10.3 Council tax income

	2019/20 £'000	2018/19 £'000
Precept	(7,502)	(7,124)
Distribution of estimated prior year (surplus)/deficit	(37)	(91)
Demand on Collection Fund	(7,539)	**(7,215)**
Share of actual surplus/(deficit) at 1 April	22	92
Share of actual (surplus)/deficit at 31 March	(26)	(22)
	(7,543)	**(7,145)**

10.4 Non-domestic rates income and expenditure

	2019/20 £'000	2018/19 £'000
Share of Non Domestic Rates Income	(11,395)	(11,423)
Tariff	7,299	7,135
Levy Expenditure	391	395
	(3,705)	**(3,893)**

11. External Audit Costs

The Authority incurred the following costs in relation to the audit of the Statement of Accounts, and non-audit services provided by the Authority's external auditors:

	2019/20 £'000	2018/19 £'000
Fees payable with regard to external audit services carried out by the appointed auditor under the Code of Audit Practice prepared by the Comptroller and Auditor General	59	37
Fees payable for the certification of grant claims and returns[1]	0	0
	59	**37**

[1] In 2018-19 Mazars LLP replaced the Authority's appointed auditor Grant Thornton as the reporting accountant responsible for undertaking certification of the Authority's Housing Benefit Subsidy return.

12. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2019/20 £	2018/19 £
Basic Allowances	168,259	179,602
Special Responsibility Allowances	77,039	92,296
Expenses	6,905	7,966
Total	**252,203**	**279,864**

13. Officers' Remuneration

13.1 Employee remuneration (excluding senior employees)

In 2019-20 the number of employees, excluding senior employees included in note 13.2, whose remuneration, excluding pension contributions, was £50,000 or more, was nil (2018-19: nil)

13.2 Senior Officers' Remuneration

Remuneration paid to the Authority's Senior Employees is as follows:

Remuneration for Senior Employees 2019/20					
Post Title	**Salary fees & allowances £**	**Expense allowances £**	**Compensation for loss of office £**	**Pension contributions £**	**Total including pension contributions £**
Chief Executive	70,949	864	80,528	8,408	160,749
Interim Chief Executive[1]	41,481	516	0	6,015	48,012
Corporate Director[1]	47,781	723	0	6,928	55,432
Head of Financial Services	59,219	0	0	8,587	67,806
Head of Governance & Regulatory Services	60,762	0	0	8,810	69,572
Head of Programmes & Projects	54,904	0	0	7,961	62,865
Head of Customer Operations & Transformation	55,907	0	0	7,477	63,384
Programme Director Maryport Regeneration	53,874	0	0	7,812	61,686
Head of Community Services	54,094	0	0	7,844	61,938
Head of Place Development & Housing[2]	44,874	0	0	6,507	51,381
Programme Director - Workington Regeneration[2]	9,001	0	0	1,305	10,306
Head of Strategy Policy & Performance	53,924	0	0	7,819	61,743
	606,770	**2,103**	**80,528**	**85,473**	**774,874**

[1] The Corporate Director was appointed Interim Chief Executive in November 2019

[2] The Head of Place Development & Housing was appointed Programme Director - Workington Regeneration in February 2020

Remuneration for Senior Employees 2018/19					
Post Title	**Salary fees & allowances £**	**Expense allowances £**	**Compensation for loss of office £**	**Pension contributions £**	**Total including pension contributions £**
Chief Executive	104,870	1,239	0	13,370	119,479
Corporate Director	80,178	1,260	0	11,626	93,064
Head of Financial Services	58,015	360	0	8,412	66,787
Head of Governance & Regulatory Services	35,651	0	0	6,310	41,961
Interim Head of Governance & Regulatory Services[1]	32,497	0	0	4,712	37,209
Head of Programmes & Projects[2]	22,435	0	0	3,253	25,688
Head of Customer Operations & Transformation	52,994	0	0	6,737	59,731
Head of Housing & Health[1]	26,482	0	0	3,840	30,322
Programme Director Maryport Regeneration[2]	26,402	0	0	3,828	30,230
Head of Community Services	53,014	0	0	7,687	60,701
Head of Place Development & Housing	52,694	0	0	7,641	60,335
Head of Strategy Policy & Performance	52,844	0	0	7,662	60,506
	598,076	**2,859**	**0**	**85,078**	**686,013**

[1] 1 April 2018 to 31 October 2018; [2] Post established 1 November 2018

14. Exit Packages

The number of exit packages with total cost per band and the total cost compulsory and other departures is set out in the following 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	
	2019/20	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
£0 - £20,000	1	0	3	5	4	5	£24,513	£33,499
£20,001 - £40,000	0	0	1	1	1	1	£22,295	£31,545
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - 100,000	0	1	1	0	1	1	£80,528	£82,480
£100,001 - £150,000	0	0	0	0	0	0	0	0
	1	**1**	**5**	**6**	**6**	**7**	**£127,336**	**£147,524**

15. Adjustment between Accounting Basis & Funding Basis under Regulations

This note details the adjustments 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. A description of the reserves that the adjustments are made against is set out in notes 16 and 17.

2019/20	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	2,115			(2,115)
Revaluation losses /(gains)	(223)			223
Movement in the fair value of investment properties	523			(523)
Amortisation of intangible assets	7			(7)
Capital Grants & contributions	(1,574)			1,574
Revenue expenditure funded from capital under statute	1,791			(1,791)
Income in relation to donated assets	0			0
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	212			(212)
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(1,122)			1,122
Capital expenditure to General Fund	190			(190)
	1,919	**0**	**0**	**(1,919)**
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement				
Application of grants to finance capital expenditure transferred to the Capital Adjustment account			(170)	170
	0	**0**	**(170)**	**170**
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	(100)	100		
Capital receipts arising on repayment of grants	(15)	15		
Use of Capital Receipts Reserve to finance new capital expenditure		(19)		19
Capital receipt arising on repayment of long term loan advances		0		0
	(115)	**96**	**0**	**19**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	0			0
Other movements	240			(240)
	240	**0**	**0**	**(240)**

2019/20 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Financial Instrument Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)			12
	(12)	**0**	**0**	**12**
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	4,206			(4,206)
Employers pension contributions and direct payments to pensioners payable in the year	(1,903)			1,903
	2,303			**(2,303)**
Adjustments involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(182)			182
	(182)	**0**	**0**	**182**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	36			(36)
	36	**0**	**0**	**(36)**
Movement during the year	**4,189**	**96**	**(170)**	**(4,115)**

2018/19	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	1,937			(1,937)
Revaluation losses /(gains) - current year	660			(660)
Revaluation losses /(gains) - prior year	10			(10)
Movement in the fair value of investment properties	(604)			604
Amortisation of intangible assets	12			(12)
Capital Grants & contributions	(1,461)			1,461
Revenue expenditure funded from capital under statute	1,888			(1,888)
Income in relation to donated assets	0			0
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	595			(595)
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(671)			671
Capital expenditure to General Fund	(1,071)			1,071
	1,295	**0**	**0**	**1,295**
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	0		0	
Application of grants to finance capital expenditure transferred to the Capital Adjustment account			(618)	618
	0	**0**	**(618)**	**618**
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	(644)	644		
Capital receipts arising on repayment of grants	0	0		
Use of Capital Receipts Reserve to finance new capital expenditure		(102)		102
Capital receipt arising on repayment of long term loan advances		36		(36)
	(644)	**578**	**0**	**66**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal		0		0
	0	**0**	**0**	**0**

2018/19 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Financial Instrument Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4			(4)
	4	**0**	**0**	**(4)**
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	2,771			(2,771)
Employers pension contributions and direct payments to pensioners payable in the year	(1,982)			1,982
	789	**0**	**0**	**(789)**
Adjustments involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(278)			278
	(278)	**0**	**0**	**278**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	11			(11)
	11	**0**	**0**	**(11)**
Movement during the year	**1,177**	**578**	**(618)**	**(1,137)**

16. Usable Reserves

Reserve	At 31 March 2019 £'000	Net movement in the year £'000	At 31 March 2020 £'000	Note
Earmarked General Fund Reserves	3,467	(219)	3,248	16.1
Un-earmarked General Fund Balance	3,891	(747)	3,144	16.2
Total General Fund Balance	7,358	(966)	6,392	
Capital Receipts Reserve	1,038	96	1,134	16.3
Capital Grants Unapplied	418	(170)	248	16.4
Total Usable Reserves	**8,814**	**(1,040)**	**7,774**	

16.1 Earmarked Reserves

This note summarises the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019-20.

2019/20	31 March 2019 £'000	Application £'000	Contribution & transfers £'000	Released to General Fund £'000	31 March 2020 £'000
Allerdale Business Support Fund	187	0	250	0	437
Misc. Corporate Resources	37	0	0	0	37
ARCUS System	74	0	54	0	128
Misc. Customer Experience & Innovation	186	(61)	35	(10)	150
Community Housing Fund	472	(363)	0	0	109
Towns Fund	0	0	162	0	162
Social Investment Fund	0	0	131	0	131
Economic. Growth, Community. Development & Placemaking - Other	146	(52)	204	(50)	248
Allerdale Waste Services	0	0	420	0	420
Environmental Services - Other	114	(90)	0	(5)	19
New Finance System	0	0	100	0	100
Finance & Legal - Other	213	(58)	10	(46)	119
Leisure & Tourism - Other	58	(13)	16	0	61
Elections	100	(100)	0	0	0
Corporate Priorities	124	(24)	0	(100)	0
Corporate Priorities - Credit Union	94	(56)	0	0	38
Corporate Priorities & Inequality	0	0	0	0	0
Strategic Priorities	229	0	115	(229)	115
Policy, Governance & People Resources - Other	143	(33)	59	(21)	148
AIP Loan Notes	139	(139)	0	0	0
AIP Loan Note Interest & Other Gains	250	0	0	(250)	0
NNDR Rate Pool Volatility Fund	220	0	0	(75)	145
Business Rate Income	321	0	0	0	321
AIP Loan Note Interest	0	0	0	0	0
Section 31 NNDR	360	0	0	0	360
Total	**3,467**	**(989)**	**1,556**	**(786)**	**3,248**

2018/19	31 March 2018 £'000	Application £'000	Contribution & transfers[1] £'000	Released to General Fund £'000	31 March 2019 £'000
Allerdale Business Support Fund	0	0	187	0	187
Misc. Corporate Resources	53	(16)	0	0	37
ARCUS System	117	(48)	5	0	74
Misc. Customer Experience & Innovation	211	(103)	78	0	186
Community Housing Fund	734	(263)	0	0	471
Towns Fund	0	0	0	0	0
Social Investment Fund	0	0	0	0	0
Economic Growth, Community. Development & Placemaking - Other	286	(168)	36	(7)	147
Allerdale Waste Services	0	0	0	0	0
Environmental Services - Other	40	(41)	124	(10)	113
New Finance System	0	0	0	0	0
Finance & Legal - Other	233	(39)	19	0	213
Leisure & Tourism - Other	92	(44)	10	0	58
Elections	70	0	30	0	100
Corporate Priorities	13	(97)	211	(3)	124
Corporate Priorities - Credit Union	154	(60)	1	0	95
Corporate Priorities & Inequality	211	0	(211)	0	0
Strategic Priorities	0	0	229	0	229
Policy, Governance & People Resources - Other	194	(91)	42	(2)	143
AIP Loan Note Interest & Other Gains	113	0	26	0	139
AIP Loan Notes - Redeemed	0	0	250	0	250
NNDR Rate Pool Volatility Fund	102	0	118	0	220
Business Rate Income	821	0	0	(500)	321
AIP Loan Note Interest	0	0	0	0	0
Section 31 NNDR	360	0	0	0	360
Total	**3,804**	**(970)**	**1,155**	**(522)**	**3,467**

[1] including adjustments to opening balances arising from the adoption of IFR9 and IFRS 15

16.2 General Fund

The General Fund is the statutory fund into which all receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

	2019/20 £'000	2018/19 £'000
General Fund Balance at 31 March	3,891	4,921
Impact of adopting new accounting standards	0	(441)
General Fund Balance at 1 April	3,891	4,480
Increase/(decrease) in year	(747)	(589)
Balance at 31 March	**3,144**	**3,891**

16.3 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	1,038	460
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	100	644
Transfer from Deferred Capital Receipts Reserve	0	0
Capital receipt arising on repayment of grant assistance & long term loan advances	15	36
Total capital receipts received in the year	115	680
Receipts applied to finance capital expenditure during the year	(19)	(102)
Balance at 31 March	**1,134**	**1,038**

16.4 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the balance of grants and contributions received towards capital projects in respect of which the Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	418	1,036
Capital Grants received in previous years and applied in current year	(170)	(618)
Capital Grants received in current year but not applied	0	0
Balance at 31 March	**248**	**418**

17 Unusable Reserves

Reserve	At 31 March 2019 £'000	Movement in the Year £'000	At 31 March 2020 £'000	Note
Revaluation Reserve	20,401	1,295	21,696	17.1
Capital Adjustment Account	45,817	(1,210)	44,607	17.2
Deferred Capital Receipts Reserve	1,523	(240)	1,283	17.3
Pensions Reserve	(34,339)	102	(34,237)	17.4
Collection Fund Adjustment Account	(57)	182	125	17.5
Financial Instruments Adjustment Account	(86)	12	(74)	17.6
Accumulated Absences Account	(107)	(36)	(143)	17.7
Total Unusable Reserves	**33,152**	**105**	**33,257**	

17.1 Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of the Authority's Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired
- 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 1 April 2007, the date the Reserve was first established under the Code. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	20,401	16,062
Revaluation of assets – current year	1,815	5,004
Amounts written off to the capital adjustment account:		
Difference between fair value depreciation and historical cost depreciation – current year	(506)	(632)
Accumulated gains on assets sold or scrapped – current year	(14)	(43)
Other movements (revaluation of assets - prior year correction)		10
Balance at 31 March	**21,696**	**20,401**

17.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or the addition of subsequent costs to non-current asset under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs, as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority 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 Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	45,817	45,743
Transfer from Available for Sale Financial Instrument Reserve on implementation of IFRS 9	0	10
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation of non-current assets	(2,115)	(1,937)
Revaluation losses on Property, Plant and Equipment & Heritage Assets	223	(660)
Amortisation of intangibles	(7)	(12)
Revenue Expenditure Funded from Capital Under Statute	(1,791)	(1,888)
Carrying 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	(212)	(595)
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated gains on assets sold written out of the Revaluation Reserve	14	43
Difference between fair value depreciation and historical cost depreciation	506	632
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	19	102
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,574	1,461
Application of grants to capital financing from the Capital Grants Unapplied Account	170	618
Statutory provision for the financing of capital investment charged against the General Fund (minimum revenue provision)	1,122	671
Capital expenditure charged against the General Fund balance	(190)	1,071
Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(523)	604
Write down of long term debtor balances	0	(36)
Other movements (revaluation of assets - prior year correction)	0	(10)
Balance at 31 March	**44,607**	**45,817**

17.3 Deferred Capital Receipts Reserve

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

	2019/20 £'000	2018/19 £'000
Balance at 1 April	1,523	1,523
Deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Other movements (fair value adjustment to associated receivable)	(240)	0
Balance at 31 March	**1,283**	**1,523**

17.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 Authority makes employer's contributions to the pension fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the shortfall between the benefits earned by past and current employees and the resources the Authority 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.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(34,339)	(30,549)
Remeasurement of the net defined benefit liability/(asset)	2,405	(3,001)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,206)	(2,771)
Employers pension contributions and direct payments to pensioners payable in the year[1]	1,903	1,982
Balance at 31 March	**(34,237)**	**(34,339)**

[1] Employers pension contributions and direct payments to pensioners of £1,038,000 were paid in 2019-20 (2018-19: £1,100,000). A further £865,100 (2018-19: £882,000) of deficit recovery contributions, paid in advance in 2017-18, were released from the Pensions Reserve and charged to the General Fund in 2019-20.

17.5 Collection Fund Adjustment Account

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

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(57)	(335)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	182	278
Balance at 31 March	**125**	**(57)**

17.6 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 benefitting from gains in accordance with statutory provisions. The Authority uses the Account to manage premiums and discounts paid or received on the early redemption of loans. Premiums and discounts charged or credited to the Comprehensive Income and Expenditure Statement when incurred, are reversed out of the General Fund Balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense/income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

17.7 Accumulated Absences Account

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

18. Property, Plant and Equipment

2019/20	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure £'000	Community Assets £'000	Assets under Const. £'000	Total £'000
Cost or Valuation						
At 1 April 2019	48,135	4,825	16,973	2,137	880	72,950
Additions	66	47	55	0	88	256
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,073	0	0	0	0	1,073
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	223	0	0	0	0	223
Derecognition - disposals & other	(22)	0	0	(167)	(551)	(740)
Transfers	17	53	0	0	(53)	17
At 31 March 2020	**49,492**	**4,925**	**17,028**	**1,970**	**364**	**73,779**
Accumulated Depreciation and Impairment						
At 1 April 2019	(229)	(905)	(8,542)	0	0	(9,676)
Depreciation Charge	(981)	(528)	(599)	0	0	(2,108)
Depreciation written out to the Revaluation Reserve	742	0	0	0	0	742
Derecognition - disposals	2	0	0	0	0	2
Transfers	0	0	0	0	0	0
At 31 March 2020	**(466)**	**(1,433)**	**(9,141)**	**0**	**0**	**(11,040)**
Net Book Value at 31 March 2020	**49,026**	**3,492**	**7,887**	**1,970**	**364**	**62,739**
Net Book Value at 31 March 2019	**47,906**	**3,920**	**8,431**	**2,137**	**880**	**63,274**

Nature of asset holding						
Owned (Freehold)	49,026	3,492	7,887	1,970	364	62,739
Finance Lease	0	0	0	0	0	0
	49,026	**3,492**	**7,887**	**1,970**	**364**	**62,739**

2018/19	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure £'000	Community Assets £'000	Assets under Const. £'000	Total £'000
Cost or Valuation						
At 1 April 2018	45,997	1,321	16,930	1,975	139	66,362
Additions	30	3,504	43	162	913	4,652
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,849	0	0	0	0	2,849
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(660)	0	0	0	0	(660)
Derecognition - disposals	(81)	0	0	0	0	(81)
Transfers	0	0	0	0	(172)	(172)
At 31 March 2019	**48,135**	**4,825**	**16,973**	**2,137**	**880**	**72,950**
Accumulated Depreciation and Impairment						
At 1 April 2018	(1,132)	(837)	(7,946)	0	0	(9,915)
Depreciation Charge	(1,266)	(68)	(596)	0	0	(1,930)
Depreciation written out to the Revaluation Reserve	2,154	0	0	0	0	2,154
Derecognition - disposals	15	0	0	0	0	15
Transfers	0	0	0	0	0	0
At 31 March 2019	**(229)**	**(905)**	**(8,542)**	**0**	**0**	**(9,676)**
Net Book Value at 31 March 2019	**47,906**	**3,920**	**8,431**	**2,137**	**880**	**63,274**
Net Book Value at 31 March 2018	**44,865**	**484**	**8,984**	**1,975**	**139**	**56,447**

Nature of asset holding						
Owned (Freehold)	47,906	3,920	8,431	2,137	880	63,274
Finance Lease	0	0	0	0	0	0
	47,906	**3,920**	**8,431**	**2,137**	**880**	**63,274**

18.1 Revaluations

The Authority carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets required to be measured at current value are:

- revalued at intervals of not more than five years
- reported in the balance sheet at a carrying amount that does not differ materially from that which would be determined using the assets current value at the balance sheet date.

Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations summarised in the following tables were undertaken by external valuers Wilks, Head & Eve (2020 and 2019), Walton Goodland (2016-2018) and NPS North West Limited (2015), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards (the 'Red Book').

Vehicles, plant, furniture and equipment that have short useful lives or low values (or both) are measured at depreciated historical cost as a proxy for fair value.

At 31 March 2020	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	0	4,925	17,028	1,970	364	24,287
Valued at current value at:						
31 March 2020	39,664	-	-	-	-	39,664
31 March 2019	6,672	-	-	-	-	6,672
31 March 2018	0	-	-	-	-	0
31 March 2017	3,156	-	-	-	-	3,156
31 March 2016	0	-	-	-	-	
Total Cost or Valuation	**49,492**	**4,925**	**17,028**	**1,970**	**364**	**73,779**

At 31 March 2019	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	0	4,825	16,973	2,137	880	24,815
Valued at current value at:						
31 March 2019	44,443	-	-	-	-	44,443
31 March 2018	0	-	-	-	-	0
31 March 2017	3,156	-	-	-	-	3,156
31 March 2016	0	-	-	-	-	0
31 March 2015	536	-	-	-	-	536
Total Cost or Valuation	**48,135**	**4,825**	**16,973**	**2,137**	**880**	**72,950**

18.2 Non-current assets revalued as at 31 March 2020:

The following categories of non-current assets were revalued as at 31 March 2020:

- Investment Properties, which were revalued at 'Fair Value - Market Value' (see note 20)
- Property Plant & Equipment:
  - pay & display car parks
  - free and permit parking car parks
  - sports & leisure centres.

Revaluations were carried out by Wilks, Head & Eve, Chartered Surveyors, in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation - Professional Standards (the 'Red Book').

19. Heritage Assets

Reconciliation of the carrying value of Heritage Assets Held by the Authority:

2019/20	At cost	At Valuation		Tangible Heritage Assets	Intangible Heritage Assets	Total
	Historical Sites & Monuments £'000	Museum Collections £'000	Civic Regalia £'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2019	603	163	80	846	31	877
Additions – purchased	6	0	0	6	0	6
Additions – donated	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
At 31 March 2020	609	163	80	852	31	883
Accumulated depreciation & impairment						
At 1 April 2019	(64)	0	0	(64)	(31)	(95)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2020	**(71)**	**0**	**0**	**(71)**	**(31)**	**(102)**
Net book value at 31 March 2020	**538**	**163**	**80**	**781**	**0**	**781**
Nature of asset holding						
Owned (Freehold)	538	163	80	781	0	781
	538	**163**	**80**	**781**	**0**	**781**

2018/19	At cost Historical Sites & Monuments £'000	At Valuation Museum Collections £'000	 Civic Regalia £'000	Tangible Heritage Assets £'000	Intangible Heritage Assets £'000	Total £'000
Cost or Valuation						
At 1 April 2018	590	163	80	833	31	864
Additions – purchased	13	0	0	13	0	13
Additions – donated	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
At 31 March 2019	603	163	80	846	31	877
Accumulated depreciation & impairment						
At 1 April 2018	(57)	0	0	(57)	(31)	(88)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2019	**(64)**	**0**	**0**	**(64)**	**(31)**	**(95)**
Net book value at 31 March 2019	**539**	**163**	**80**	**782**	**0**	**782**
Nature of asset holding						
Owned (Freehold)	539	163	80	782	0	782
	539	**163**	**80**	**782**	**0**	**782**

19.1 Description of the Council's Collection of Heritage Assets

The Authority's tangible heritage assets consist of a number of historical sites, monuments, statues, nature reserves, civic regalia and collection held at the Maryport Maritime Museum. In addition to the assets included in the Authority Only statements, heritage assets reported in the group accounts also include the collections held at the Keswick Museum and Art Gallery and Helena Thompson Museum. A register of assets held within the individual collections is maintained by each museum. All heritage assets are held in support of increasing knowledge, understanding and appreciation of the historical, artistic, scientific, technological, geophysical and environmental qualities of the Borough of Allerdale and are accounted for as follows:

(i) Historical Sites, Monuments and Statues

The Authority owns a number of historical sites, monuments and statues, all of which contribute to the history of the Borough. These historical sites are now, in the main, buried or ruins and consist of the Roman Cumbrian Coast defence (Milefortlet 21 Swarthy Hill), the famous Salt Pans of West Cumbria, Workington Hall in the grounds of Curwen Park, the iron lighthouse at Maryport and the Workington Pit heads. The majority of the monuments and statues held by the Authority are 'in honour' of significant local historical figures as well as memorials for those lost at war.

In the opinion of the Authority's Valuation Officer, conventional valuation methods are not appropriate for valuing these assets. Such assets do not have a market for sale, providing market based evidence of fair value. These assets are also not capable of producing a cash flow or income but rather are liabilities requiring maintenance. In accordance with the Code of Practice on Local Authority Accounting, in the absence of information relating to historic cost or value, these assets have not been recognised in the balance sheet.

As part of the Workington Town Centre Development in 2006, several monuments and statues were acquired including the Curwen Column and the Lookout Clock. These assets are reported in the balance sheet at cost less depreciation.

(ii) Museum Collections

The collection held at the Maryport Maritime Museum includes fine and decorative art, furnishings and other historical artefacts.

The collection is reported in the Balance Sheet at an insurance valuation based on open market replacement cost for items of a comparable nature, age and condition. The latest full valuation was undertaken in March 2017 by external valuers - Mitchells Antiques & Fine Art Auctioneers and Valuers. Values were assigned to all individual items within the collection with an expected replacement cost in excess of £1,000 that were on display, or accessible in store, at the time of the re-valuation. Items with an expected replacement cost of less than £1,000 were reappraised by reference to previous inventories and valuations, accession books, MODES records and information provided by museum staff. These items are categorised by the valuer as 'Unspecified Accessions'. Valuations are reviewed and updated annually to ensure that they remain current.

The collection held at the Maryport Maritime Museum is summarised below:

Description	31/03/20 £000	31/03/19 £000
Fine Art/Decorative Art	71	71
Furnishings and Other Miscellaneous Artefacts	18	18
Unspecified Accessions	74	74
Total	**163**	**163**

Details of the collections at the Keswick Museum and Art Gallery and Helena Thompson are disclosed in the notes accompanying the group accounts.

(iii) Civic Regalia

Civic regalia, comprising of the mayoral chains and ceremonial mace is included in the balance sheet at a valuation based on the indicative replacement cost for each item.

(iv) Nature Reserves

The Authority owns five areas of land classified as nature reserves. Two of these have been categorised as heritage assets, reflecting their recognition as areas of special scientific interest given the unique and rare wildlife they support.

In the opinion of the Authority's Valuation Officer, conventional valuation methods are not appropriate for valuing these assets. In accordance with the Code of Practice on Local Authority Accounting, in the absence of information relating to historic cost or value, these assets have not been recognised in the balance sheet.

19.2 Acquisition, Preservation, Management and Disposal

The Authority has a responsive repair and maintenance programme in relation to its historical sites, monuments, statues and nature reserves.

Acquisitions are made only as part of an agreed capital project, or as part of a museum exhibition where this supported the cultural, environmental or historical associations of the Borough.

To date, no disposals have taken place and it is unlikely this would happen due to the nature of the Authority's heritage assets and purpose for which they are held. Should a proposal to dispose of a heritage asset arise, (excluding museum artefacts for which the policy is detailed below), this would require the authorisation of Council Members.

The Authority's museums are currently managed by independent groups established as companies limited by guarantee. The museums' collections are managed by collection care officers and curators as appointed by the group running the museum. Assets in the collections are only disposed of where, in the opinion of the appointed officer with delegated responsibility, an item does not contribute to the interest and diversity of the Museum's collection. All acquisitions and disposals must comply with the Authority's Acquisition and Disposal Policy. The Museum groups maintain databases for the collections of heritage assets which records the nature, provenance and current location of each asset.

20 Investment Property

Investment property comprises land and buildings held solely to earn rentals and/or for capital appreciation. The following table summarises the movement in the carrying value (fair value) of investment properties over the year.

	2019/20 £'000	2018/19 £'000
At 1 April	24,841	23,457
Additions - acquisitions	0	858
Additions - subsequent expenditure	587	116
Disposals	(25)	(366)
Transfers from/(to) Property, Plant and Equipment	(17)	172
Net gains/(losses) from fair value adjustments	(523)	604
At 31 March	**24,863**	**24,841**

Nature of asset holding		
Owned (Freehold)	24,211	24,256
Finance Lease	652	585
At 31 March	**24,863**	**24,841**

Valuation process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date by external property valuation experts. Valuations are undertaken in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (the 'Red Book') using an Income (income capitalisation) Approach or Market Approach.

Fair value measurement of Investment property - fair value hierarchy

The following tables show the levels within the hierarchy of investment property measured at fair value on a recurring basis.

31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/20 £'000
Retail Lettings	-	-	7,436	7,436
Residential	-	-	80	80
Commercial Lettings	-	-	11,520	11,520
Managed Industrial Estates	-	-	3,944	3,944
Vacant Land & Industrial Sites	-	-	1,883	1,883
At 31 March 2020	**-**	**-**	**24,863**	**24,863**

31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/19 £'000
Retail Lettings	-	-	8,489	8,489
Residential	-	-	80	80
Commercial Lettings	-	-	10,720	10,720
Managed Industrial Estates	-	-	3,561	3,561
Vacant Land & Industrial Sites	-	-	1,991	1,991
At 31 March 2019	**-**	**-**	**24,841**	**24,841**

Transfers between Levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation techniques used to determine Level 2 and 3 fair values for investment properties

Income approach

Fair values estimated using the income approach involve use of a discounted cash flow (income capitalisation) methodology to convert future cash flows from the property (for example future rental income) to a single current capital value using an appropriate market derived discount rate (capitalisation yield). Capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers professional judgement and market observation.

Market approach

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy. Where a market approach does not include significant unobservable adjustments, these assets are categorised as level 2.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurements categorised within Level 3 of the Fair Value Hierarchy

The following table provides a reconciliation of the opening balances to the closing carrying amounts of non-financial assets classified within Level 3.

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2019	8,489	10,801	3,561	1,990	24,841
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services[1]	(1,053)	425	195	(90)	(523)
Additions	0	374	213	0	587
Disposals	0	0	(25)	0	(25)
Transfers to PPE	0	0	0	(17)	(17)
Carrying amount at 31 March 2020	**7,436**	**11,600**	**3,944**	**1,883**	**24,863**
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2020	(1,053)	425	195	(90)	(523)

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2018	8,482	9,283	2,598	3,094	23,457
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services[1]	7	1,673	294	(1,370)	604
Additions	0	39	669	266	974
Disposals	0	(366)	0	0	(366)
Transfers from PPE	0	172	0	0	172
Carrying amount at 31 March 2019	**8,489**	**10,801**	**3,561**	**1,990**	**24,841**
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2019	7	1,673	294	(1,370)	604

[1]Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Details of the valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property classified within Level 3 are set out in the following table together with a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs.

	Fair value at 31/03/20 £000	Valuation technique	Significant unobservable inputs	Range
Retail Lettings	**7,436**	Income	Estimated yield	5.25% - 15.0%
			Rental value (rent passing/reversion rent) p.a.	£4,840 - £513,383
Residential & Commercial Lettings	264	Market	Estimated value per h.a./plot value	£50,000- £101,500
	11,336	Income	Estimated yield	5% - 13%
	11,600		Rental value (rent passing/ reversion) p.a.	£1-£748,040
Managed Industrial Estates	3,126	Income	Estimated yield	6% - 11.5%
			Rental value (rent passing/ reversion rent) p.a.	£141 - £128,921
	605	Market	Estimated value per h.a.	£15,000-£37,951
	213	Cost	Property under construction	-
	3,944			
Vacant Land & Industrial Sites	1,813	Market	Estimated value per h.a./plot value Reversion yield	£15,000 - £212,100
	70	Income	Estimated yield/reversion yield	14% - 15%
	1,883		Rental value (rent passing/ reversion rent) p.a.	£0 - £12,075

	Fair value at 31/03/19 £000	Valuation technique	Significant unobservable inputs	Range
Retail Lettings	**8,489**	Income	Estimated yield	5.25% - 14.5%
			Rental value (rent passing/reversion rent) p.a.	£2,340 - £512,858
Residential & Commercial Lettings	261	Market	Estimated value per h.a./plot value	£50,000 - £101,500
	10,539	Income	Estimated yield	5% - 12%
	10,800		Rental value (rent passing/ reversion) p.a.	£25 - £685,046
Managed Industrial Estates	3,037	Income	Estimated yield	6% - 11.5%
			Rental value (rent passing/ reversion rent) p.a.	£141 - £128,921
	524	Market	Estimated value per h.a.	£37,951
	3,561			
Vacant Land & Industrial Sites	**1,990**	Market	Estimated value per h.a./plot value Reversion yield	£15,000 - £370,000 7%-15%

Significant changes in rental income and rent growth; vacancy levels or discount rate would result in a significantly lower or higher fair value. All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset while an increase in the current or estimated future rental stream would have the effect of increasing the capital value and vice versa.

Rental income and operating expenses from Investment Property

The rental income and operating expenses from Investment Property are summarised in the table below:

	2019/20			2018/19		
	Expenditure £'000	Income £'000	Net Inc. £'000	Expenditure £'000	Income £'000	Net Inc. £'000
Industrial Units	(3)	(257)	(260)	4	(264)	(260)
Other Investment Properties	87	(1,329)	(1,242)	32	(1,636)	(1,604)
	84	**(1,586)**	**(1,502)**	**36**	**(1,900)**	**(1,864)**

21. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Capital expenditure not financed through the application of capital grants, contributions, capital receipts or a direct charge to revenue will increase the Authority's Capital Financing Requirement (CFR), reflecting the extent to which expenditure has yet to be financed and the underlying need to borrow for capital purposes. The movement in the CFR is analysed in the second part of this note. The CFR is reduced by the Minimum Revenue provision (MRP). This is an annual amount required to be set aside from the General Fund to meet the capital cost of expenditure not financed from grants, revenue contributions or capital receipts.

	2019/20 £'000	2018/19 £'000
Opening Capital Financing Requirement	22,741	18,917
Capital investment:		
Property Plant & Equipment	256	4,652
Property Plant & Equipment – write off of prior year expenditure[1]	(550)	0
Investment Property	587	974
Non-Current Assets Held for Sale	0	163
Heritage Assets – purchased and donated	6	13
Intangible Assets	0	57
Revenue Expenditure Funded from Capital under Statute	1,791	1,888
Financing:		
Capital receipts	(19)	(102)
Government grants, contributions and donations	(1,744)	(2,079)
Sums set aside from revenue[1]	190	(1,071)
Minimum Revenue Provision (MRP)	(1,122)	(671)
Closing Capital Financing Requirement	**22,136**	**22,741**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	(367)	(371)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(238)	4,195
Increase/(decrease) in Capital Financing Requirement	**(605)**	**3,824**

[1] including £550k relating to the reversal of capital financing costs associated with expenditure on cancelled capital schemes, capitalised in 2018-19 and written off to revenue in 2019-20.

22. Commitments under Capital Contracts

At 31 March 2020, outstanding commitments under capital contracts for the construction or enhancement of Property, Plant and Equipment in 2020-21 and future years amounted to £267,044 (31 March 2019: £123,088). At 31 March 2020 contractual obligations to purchase, construct or develop investment property or for the repair, maintenance or enhancement of investment property were £135,300 (31 March 2019: £282,429).

23. Investments

	31/03/20 £'000	31/03/19 £'000
Long-term		
Allerdale Investment Partnership LLP 12% secured investor loan notes 2034	1,283	1,662
Unquoted equity investments	11	11
	1,294	1,673
Short-term (loans & receivables)		
Term deposits and notice accounts	0	0
	1,294	**1,673**

24. Short-term Debtors

	31/03/20 £'000	31/03/19 £'000
Trade receivables	2,572	2,654
Council tax receivable	518	469
NNDR receivable	229	224
Housing benefit overpayments	1,108	1,309
Other taxation and social security	283	1,026
Other receivables	2,485	1,398
Amounts owed by Group Companies	113	0
	7,308	7,080
Allowance for credit losses:		
- Trade receivables	(97)	(82)
- Council Tax	(214)	(210)
- NNDR	(117)	(100)
- Housing Benefit Overpayments	(749)	(882)
	(1,177)	(1,274)
	6,131	**5,806**

25. Non IFRS9 financial assets that are either past due or impaired

An analysis of the age of non IFRS 9 financial assets, comprising Council Tax, NNDR and Housing Benefit overpayments that were either past due at the balance sheet date or impaired is set out in the following table:

	At 31 March 2020			
Past due status	**Council Tax £'000**	**NNDR £'000**	**Housing benefit overpayments £'000**	**Total £'000**
Past due less than 12 months	100	52	114	266
Past due more than 12 months	418	177	994	1,589
Total	**518**	**229**	**1,108**	**1,855**

	At 31 March 2019			
Past due status	**Council Tax £'000**	**NNDR £'000**	**Housing benefit overpayments £'000**	**Total £'000**
Past due less than 12 months	184	155	194	533
Past due more than 12 months	285	69	1,115	1,469
Total	**469**	**224**	**1,309**	**2,002**

A summary of the loss allowance at the balance sheet date analysed by class of debtor and showing separately the amounts determined on an individual and collective basis.

	2019/20			2018/19		
	Individual impairment £'000	**Collective impairment £'000**	**Total £'000**	**Individual impairment £'000**	**Collective impairment £'000**	**Total £'000**
- Council Tax	0	(214)	(214)	0	(210)	(210)
- NNDR	0	(117)	(117)	0	(100)	(100)
- Benefits	0	(749)	(749)	0	(882)	(882)
Total Allowance	**0**	**(1,080)**	**(1,080)**	**0**	**(1,192)**	**(1,192)**

26. Cash and Cash Equivalents

	31/03/20 £'000	31/03/19 £'000
Cash in hand	21	50
Bank current accounts	0	0
Call accounts (same day access funds)	2,889	743
Money Market Funds	5,860	5,293
Other bank deposits	250	287
Cash and Cash Equivalents (balance sheet)	**9,020**	**6,373**
Bank Overdraft	(1,572)	(1,959)
Cash and Cash Equivalents (cash flow statement)	**7,448**	**4,414**

27. External Borrowing

	31/03/20 £'000	31/03/19 £'000
Short-term Borrowing		
Public Works Loan Board (inc. accrued interest)	(889)	(520)
Local Bonds	(31)	(31)
Trust Funds	(54)	(54)
	(974)	**(605)**
Long-term Borrowing		
Public Works Loan Board	(16,563)	(14,747)
	(17,537)	**(15,352)**

Analysis of loans by maturity:

Amounts repayable	31/03/20 £'000	31/03/19 £'000
Within 1 year	(974)	(605)
Between 1 & 2 years	(692)	(327)
Between 2 & 5 years	(2,131)	(1,031)
Between 5 & 10 years	(2,668)	(1,934)
After more than 10 years	(11,072)	(11,455)
	(17,537)	**(15,352)**

28. Short-term Creditors

	31/03/20 £'000	31/03/19 £'000
Trade Payables	(1,776)	(2,005)
Other Payables	(3,793)	(5,215)
Other Taxation and Social Security	(163)	(159)
Unpaid Holiday Pay	(143)	(107)
	(5,875)	**(7,486)**

29. Contract and Other Liabilities

	31/03/20 £'000	31/03/19 £'000
Deferred income (receipts in advance)	(765)	(563)
NNDR Received in Advance	(70)	(233)
Council Tax Received in Advance	(113)	(107)
Developers' contributions under section 106 Town and Country Planning Act 1990	(156)	(260)
Capital Grants Received in Advance	(872)	(881)
Revenue Grants received in advance	(2,532)	(178)
	(4,508)	**(2,222)**

30. Provisions

	Insurance £'000	Early Departure £'000	Business Rates £'000	Legal Claims £'000	Other £'000	Total £'000
Balance at 1 April 2019	(97)	(41)	(1,139)	(265)	0	(1,542)
Additional provisions made in 2019/20	0	(0)	(423)	(2)	(223)	(648)
Provision utilised in year	5	41	114	38	0	198
Unused amounts reversed in year	0	0	0	0	0	0
Unwinding of discounting	0	0	0	(8)	0	(8)
At 31 March 2020	**(92)**	**0**	**(1,448)**	**(237)**	**(223)**	**(2,000)**
Disclosed as:						
At 31 March 2020						
Current component	(20)	0	(1,448)	(71)	(223)	(1,762)
Long-term component	(72)	0	0	(166)	0	(238)
	(92)	**0**	**(1,448)**	**(237)**	**(223)**	**(2,000)**
At 31 March 2019						
Current component	(6)	(41)	(1,139)	(69)	0	(1,255)
Long-term component	(91)	0	0	(196)	0	(287)
	(97)	**(41)**	**(1,139)**	**(265)**	**0**	**(1,542)**

(a) Insurance

The insurance provision includes amounts set aside to meet:

- uninsured liabilities such as the £5,000 excess on the Authority's Public Liability and Employer's Liability insurance in respect of notified claims
- the estimated liability in respect of claims incurred but not reported.

(b) Employee related

The Early Departure provision comprises the costs of termination benefits arising from compulsory redundancies and other departures agreed at 31 March but not yet paid.

Details of the number of exit packages agreed during the year (grouped in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter) and analysed between compulsory redundancies and other departures, together with the total cost of packages in each band is set out in Note 14.

(c) Business rates

Following introduction of the business rates retention scheme on 1 April 2013, the Authority assumed a share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list.

The provision of £1,448,369 represents the Authority's share (40%) of the total provision of £3,620,924 at 31 March 2020 in respect of the potential refund of business rates income for years up to and including 2019-20. The total provision at 31 March 2020 includes £2,960,479 in respect of potential obligations that may arise from successful appeals, made after the balance sheet date, against the 2017 valuation list.

The total cost of appeals settled during 2019-20 was £284,541. The Authority's share of this cost was £113,817 (40%). This was charged against the provision brought forward at 1 April 2019.

(d) Legal claims

The legal claims provision at 31 March 2020 relates primarily to amounts set aside to meet costs arising from a negotiated settlement made in June 2017 in relation to the early termination of a management agreement for the provision of car parking within part of Workington town centre.

(e) Other

Other provisions comprise amounts set aside to meet obligations in respect of tax and national insurance contributions of contractors and agency staff.

31. Pensions

31.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits are not payable until employees retire, the Authority has a commitment to make payments (for those benefits) that needs to be recognised and disclosed at the time employees earn their future entitlement.

The Authority participates in the Cumbria Local Government Pension Scheme (the Scheme), administered by Cumbria County Council (the Administration Authority). The Scheme is part of the Local Government Pension Scheme (LGPS) which is a funded, defined benefit pension arrangement for local authorities and related employers.

The LGPS is a statutory scheme operated under a regulatory framework established under the Superannuation Act 1972. This framework sets out the administrative arrangements and processes for the Scheme, specifies the nature and amounts of benefits payable and establishes the basis for calculating contributions payable to the fund by the Authority and its employees.

The Cumbria Local Government Pension Scheme is a multi-employer arrangement under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.

The Scheme provides defined benefits to members (retirement lump sums and pensions) determined by reference to a formula based on employees earnings and years of service. 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 31 March 2014 and revalued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

Governance

Governance of the scheme is the responsibility of Cumbria County Council's Pensions Committee. The functions and responsibilities of the Committee include:

- exercising the Council’s functions as the delegated decision making body of the Administering Authority for the management of the Cumbria LGPS, which includes its involvement in the Border to Coast Pensions Partnership (BCPP) as the Council’s approved Pension Pool
- reviewing and approving amendments to the statutory policy documents (i.e. Funding Strategy Statement, Governance Policy Statement, Admissions and Terminations Policy, Administration and Communications Policy, Discretions Policy, Cash Investment Policy, and Investment Strategy Statement)
- approving the formal triennial actuarial valuation
- submitting the Pension Fund Accounts to the Council
- submitting reports to the Council updating it on the governance, risk monitoring and performance of the Scheme
- receiving and where necessary instructing corrective action, in response to internal and external auditor reports
- reviewing and approving the Scheme’s Training Policy
- approving the Annual Business Plan and associated Budget and reviewing performance against this throughout the year.

Advice is provided to the Pension Committee by Cumbria County Council's Section 151 Officer, the County 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. Services are also provided by the scheme actuary (Mercers), and by other consultants and lawyers for investment management services.

The Cumbria Pensions Investment Sub Group advises the Section 151 Officer in the exercise of their delegated powers to appoint and terminate the appointment of investment managers with holdings of less than 5% of the Fund.

The Investment Sub Group consider, and continually review the investment management structure for the Pension Fund and are responsible for advising the Section 151 Officer on the appointment and termination of investment managers (under 5%) and the establishment and review of performance benchmarks and targets for investment. The group also consider the detail of any regulatory changes to investment limits or national policy changes that are made in this area, reporting to the Pensions Committee on their findings and recommendations.

The Pensions Committee is assisted in all aspects of its functions relating to governance and administration of the scheme by the Cumbria Pensions Board ('the Board'). Constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014, the Board is responsible for assisting the Administering Authority to:

- secure compliance with the regulations and other legislation relating to the governance and administration of the Cumbria LGPS
- comply with the requirements of the Pensions Regulator in relation to governance and administration of the Cumbria LGPS
- ensure the effective and efficient governance and administration of the scheme.

The Board has no remit as a decision making body.

The policy framework and all aspects of management of the Scheme are set out in the various Scheme Policy Statements. These include:

- The Governance Policy Statement**,** which sets out the roles and responsibilities, describes risk management and reports compliance against a set of best practice principles
- The Administration Strategy & Communications Policy, which details the formal arrangements for pensions and benefits administration for the Scheme, and the communications with members, employers and pensioners
- Investment Strategy Statement, detailing how the Schemes assets are invested, the fund managers and benchmarks, and the Scheme's compliance with best practice in investment decision-making (Myners Principles) and the Financial Reporting Council's UK Stewardship Code
- Cash Investment Policy, governing the management of the Schemes cash, bank account and investment of surplus cash
- Funding Strategy Statement, which identifies how the Schemes pension liabilities will be funded in the longer term and addresses solvency issues.
- Admissions and Termination Policy, detailing the policy on employer admissions and the methodology used to calculate termination payments on cessation of participation in the Scheme
- Discretions Policy, setting out the policy regarding the exercise of certain discretions to assist in the management of the Scheme
- Training Policy, setting out the policy on the training and development of members of all committees and officers responsible for management of the Scheme
- Policy & Procedure on Reporting breaches of the law which sets out the policy and procedures to be followed by persons involved with the Cumbria LGPS in relation to reporting breaches of the law.

Further details relating to governance of the Scheme (including risk management) can be found in the Scheme's Governance Policy Statement. This is included in the Cumbria LGPS Fund Policy Document, published on-line at:
http://www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp

31.2 Transactions Relating to Retirement Benefits

The following transactions have been included in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	1,999	1,906	0	0
▪ past service costs (gains)	1,339	0	0	0
▪ (gain)/loss from curtailments	56	131	0	0
Financing and Investment Income & Expenditure				
▪ net interest expense	767	684	45	50
Total Post-employment benefits charged to the surplus or deficit on the provision of services	4,161	2,721	45	50
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit obligation comprising:				
▪ return on plan assets (excluding amount included in the net interest expense) & other (gains)/losses	2,976	(2,654)	0	0
▪ experience (gains)/loss on liabilities	839	0	(55)	0
▪ actuarial (gains) and losses arising on changes in financial assumptions	(1,829)	5,590	(20)	65
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(4,263)	0	(53)	0
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	1,884	5,657	(83)	115

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,161)	(2,721)	(45)	(50)
Actual amount charged against the General Fund Balance for pensions in the year:				
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	1,750	1,830	153	152

31.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet in respect of the Local Government Pension scheme is as follows:

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	31/03/20 £'000	31/03/19 £'000	31/03/20 £'000	31/03/19 £'000
Present value of the defined benefit obligation	(109,900)	(112,610)	(1,709)	(1,945)
Fair value of plan assets	77,372	81,081	0	0
Net liability arising from the defined benefit obligation	**(32,528)**	**(31,529)**	**(1,709)**	**(1,945)**

31.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Funded Liabilities		Unfunded Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Opening fair value of scheme assets	81,081	78,287	0	0
Interest income	1,915	2,012	0	0
Remeasurement gain/(loss):				
▪ return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	(2,976)	2,654	0	0
Employer contributions	885	948	153	152
Contributions by scheme participants	386	390	0	0
Benefits/transfers paid	(3,872)	(3,174)	(153)	(152)
Administration expenses	(47)	(36)	0	0
Closing balance of scheme assets at 31 March	**77,372**	**81,081**	**0**	**0**

31.5 Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Opening balance at 1 April	(112,610)	(105,107)	(1,945)	(1,982)
Current Service Cost	(1,952)	(1,870)	0	0
Interest Cost	(2,682)	(2,696)	(45)	(50)
Contributions by scheme participants	(386)	(390)	0	0
Remeasurement gains and losses:				
▪ experience gains/(losses)	(839)	0	55	0
▪ actuarial gains and (losses) arising on changes in financial assumptions	1,829	(5,590)	20	(65)
▪ actuarial gains and(losses) arising on changes in demographic assumptions	4,263	0	53	0
Past Service Costs	(1,339)	0	0	0
(Gains)/losses on Curtailments	(56)	(131)	0	0
Benefits Paid	3,872	3,174	153	152
Closing balance at 31 March	**(109,900)**	**(112,610)**	**(1,709)**	**(1,945)**

In 2016 and 2017 two employment tribunal cases (the McCloud and Sargeant cases) were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These two cases were appealed to the Employment Appeal Tribunal and subsequently to the Court of Appeal. In December 2018, the Court of Appeal ruled in the Sargeant and McCloud cases (generally referred to for the LGPS as "McCloud") that these transitional protections were unlawful on the grounds of age discrimination.

Whilst the judgements in the McCloud and Sargeant cases relate specifically to the Firefighter and Judicial pension schemes, the government has accepted that remedies relating to the McCloud judgement will need to be applied to all public service schemes including the LGPS. Although the exact form of remedy applied to the LGPS has yet to be determined and no consequential amendments have been made to the regulations underpinning the LGPS, the outcome of the two tribunals is nevertheless deemed to provide evidence of a legal obligation under age-discrimination legislation, resulting in a liability.

At 31 March 2019 an initial estimate of the financial impact of the McCloud judgement, by the scheme's actuaries, indicated that it would not have a material impact on the Authority's reported net pension liability at 31 March 2019 or on the reported IAS19 pension costs for 2018-19. The present value of scheme liabilities at 31 March 2019 consequently excluded any specific allowance for the potential impact of the McCloud judgement. At 31 March 2020 the impact of the McCloud judgement has been reassessed based on calculations carried out on individual member data supplied for the 2019 round of actuarial valuations and an estimate of the additional liabilities arising from the judgement included in the IAS 19 post-employment benefit (LGPS) liabilities at that date. In 2019-20, past service costs of £1,339k include £891k in respect of the recognition of liabilities arising from the McCloud judgement.

31.6 Composition of Local Government pension scheme assets

Asset Class	Fair value of scheme assets	
	31/03/20 £000	31/03/19 £000
Cash & cash equivalents		
Quoted cash accounts	2,940	3,892
Net current assets	77	81
Sub-total cash & cash equivalents	3,017	3,973
Equities		
UK quoted	7,737	7,625
Global quoted	15,474	17,513
Unquoted UK equity pooled	0	811
Unquoted overseas equity pooled	5,416	11,432
Equity protection (unquoted)	0	1,054
Sub-total: Equities	28,627	38,435
Bonds:		
Quoted UK corporate bonds	0	4,946
Quoted overseas corporate bonds	0	162
Unquoted UK government indexed pooled	17,796	14,513
Sub-total: Bonds	17,796	19,621
Property:		
UK property	4,565	5,108
Unquoted property funds	2,166	2,432
Sub-total: Property	6,731	7,540
Alternatives (Unquoted)		
Private equity funds	2,863	2,351
Infrastructure funds	5,726	6,324
Real estate debt funds	309	405
Private debt fund	2,476	1,946
Healthcare royalties	542	486
Multi-asset credit	9,285	0
Sub-total: Alternatives	21,201	11,512
Total	**77,372**	**81,081**

31.7 Actuarial Assumptions used to determine the Present Value of the Scheme 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. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2019 (2018-19: 31 March 2016).

The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following table:

	2019/20		2018/19	
	Beginning of period	End of period	Beginning of period	End of period
Post retirement mortality assumptions				
Life expectancy at 65 for current pensioners:				
- Male	23.3yrs	22.6yrs	23.2yrs	23.3yrs
- Female	25.9yrs	25.2yrs	25.8yrs	25.9yrs
Life expectancy for future pensioners ages 65 in 20 years' time:				
- Male	25.6yrs	24.2yrs	25.5yrs	25.6yrs
- Female	28.6yrs	27.1yrs	28.5yrs	28.6yrs
Financial assumptions				
Rate of CPI inflation	2.20%	2.10%	2.10%	2.20%
Rate of increase in salaries	3.70%	3.60%	3.60%	3.70%
Rate of increase in pensions	2.30%	2.20%	2.20%	2.30%
Rate for discounting scheme liabilities	2.40%	2.40%	2.60%	2.40%

31.8 Sensitivity Analysis

The estimated defined benefit obligation is sensitive to changes in the actuarial assumptions set out in the preceding table. The sensitivity analysis below shows how the defined benefit obligation would have been affected by reasonably possible changes in the actuarial assumptions at the balance sheet date. The impact of the change in each assumption assumes that all other assumptions remain constant. The estimations in the sensitivity analysis are calculated on an actuarial basis using the projected unit credit method.

	Sensitivity analysis				
	Liabilities £'000	Assets £'000	(Deficit)/ Surplus £'000	Projected Service cost for next year £'000	Projected Net Interest cost for next year £'000
At 31.3.20	(111,609)	77,372	(34,237)	1,873	800
+0.1% p.a. discount rate	(109,770)	77,372	(32,398)	1,822	788
+0.1% p.a. inflation	(113,480)	77,372	(36,108)	1,926	847
+0.1 p.a. pay growth	(111,839)	77,372	(34,467)	1,873	808
1 year increase in life expectancy	(114,648)	77,372	(37,276)	1,928	875
+1% change in 2019-20 investment returns	(111,609)	78,133	(33,476)	1,873	782
'-1% change in 2019-20 investment returns	(111,609)	76,611	(34,998)	1,873	819

	Sensitivity analysis				
	Liabilities £'000	Assets £'000	(Deficit)/ Surplus £'000	Projected Service cost for next year £'000	Projected Net Interest cost for next year £'000
At 31.3.19	(114,555)	81,081	(33,474)	2,051	791
+0.1% p.a. discount rate	(112,624)	81,081	(31,543)	1,989	776
'+0.1% p.a. inflation	(116,518)	81,081	(35,437)	2,115	840
+0.1 p.a. pay growth	(114,785)	81,081	(33,704)	2,051	799
1 year increase in life expectancy	(116,835)	81,081	(35,754)	2,093	848

31.9 Risks and Investment strategy

The principal risks to the Authority of the Scheme are those associated with longevity (life expectancy) assumptions, structural changes (i.e. large scale withdrawals from the scheme), changes to inflation and financial risks associated with the Scheme's investment activities.

The Scheme's primary long-term risk is that scheme assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of the Scheme's investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Scheme with maximising the opportunity for gains across the whole Scheme portfolio. The Scheme 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 Scheme manages its liquidity risk to ensure there is sufficient liquidity to meet forecast cash flows.

The Scheme currently holds assets across a range of products and investment (fund) managers to diversify risk. Allocations to both fund managers and asset classes are reviewed on an ongoing basis by the Schemes Officers and Independent Advisors. The Pensions Committee additionally undertake further oversight and monitoring through quarterly review of the Scheme monitoring report. Strategic asset allocation receives a high level of attention and a full strategy review is undertaken every three years following the Actuarial Valuation. The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the County Council, District Councils and other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

Details of the Scheme's Investment Strategy and how it manages risk and return issues relative to the fund's investment objectives, are outlined in the Scheme's Investment Strategy Statement. The Investment Strategy is kept under continual review in conjunction with evaluation of the Scheme's Funding Strategy Statement. The Funding Strategy Statement sets out how solvency and other risks will be managed with regard to the Scheme's underlying pension liabilities. Its purpose is to:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- support the regulatory requirement for contributions rates to be sufficient to secure the scheme's solvency within an appropriate deficit recovery period
- have regard to the desirability of employer contribution rates remaining as stable as possible, and
- take a prudent longer-term view of funding those liabilities.

In setting and reviewing the Investment Strategy, the Administering Authority is required to take account of the form and structure of liabilities.

Further details of the Scheme's exposure to financial risks in relation to investing activities and the strategies used to manage those risks are outlined below.

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 prices. The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term. To mitigate market value risk, the scheme has set restrictions on the type of investment it can hold. The Scheme has also adopted benchmark limits on the different types of investments (asset classes) held. These are designed to diversify the risk and minimise the impact of poor performance in a particular asset class by achieving a spread of investments across both the main asset classes and geographic / political regions within each asset class.

Mitigation against market risk is also achieved by diversifying across multiple investment managers and by regularly reviewing the Investment Strategy and performance of the Scheme.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk (that is risks, other than those arising from interest rate risk or currency risk, caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market).

Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk

The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. To minimise potential losses due to adverse movements in foreign currency exchange rates, the Scheme has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay programme.

Credit/Counterparty 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 and cause the Scheme 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. The Scheme monitors its exposure to credit and counterparty risk through review of the Scheme’s external investment managers annual internal control reports.

Liquidity risks

Liquidity risk represents the risk that the Scheme 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 Scheme to ensure its obligations can be covered. The Scheme also 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 legislation, could result in stronger local funding standards, which could materially affect the Authority’s cash flow.

In addition, 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. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

31.10 Impact on the Authority's Cash Flows

Funding the liabilities

Regulations governing the scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require contributions to be set with a view to targeting the Scheme's solvency. Detailed provisions are set out in the Scheme's Funding Strategy Statement.

The most recent actuarial valuation was carried out as at 31 March 2019. This showed a shortfall of assets against liabilities of £0.028billion (assets of £2.703 billion against accrued liabilities of £2.731 billion), equivalent to a solvency funding level of 99% of the Scheme's liabilities. At the previous valuation (31 March 2016) the shortfall was £0.21bn, equivalent to a solvency funding level of 91%. The Scheme's employers are paying additional contributions over an average deficit recovery period of approximately 12 years in order to meet this shortfall. The next actuarial valuation will take place with an effective date of 31 March 2022.

Projected contributions to the scheme in 2020-21

Projected employer contributions which the Authority expects to pay in 2020-21 is £1,774,000 (2019-20: £1,010,000). This comprises normal contributions of £1,098,000 (2019-20: £858,000), deficit funding contributions of £523k (2019-20: £0) and a recharge of unfunded benefits of £153,000 (2019-20; £152,000).

Employer contributions made by the Authority in 2017-18 included deficit funding contributions of £2,646,400. Following the 2016 actuarial valuation exercise, the Authority opted to prepay its deficit funding contributions for the three year period 2017-18 to 2019-20. The amount of deficit funding payment chargeable to the Authority's general fund in 2019-20 is £865,100 (2018-19: £882,000).

The weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 17 years (2018-19: 17 years).

32. Financial Instruments

32.1 Financial Instruments by category

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories as defined in IFRS 9 and the Code of Practice on Local Authority Accounting. The accounting policies set out in section 6 provide a description of each category of financial assets and financial liabilities and the related accounting policies.

Financial Assets

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2020					
Long-term investments	23	0	1,294	0	1,294
Long-term debtors	-	0	452	0	452
Short-term debtors	24	2,346	0	3,785	6,131
Cash & cash equivalents	26	3,160	5,860	0	9,020
Total for category		**5,506**	**7,606**	**3,785**	**16,897**

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2019					
Long-term investments	23	0	1,673	0	1,673
Long-term debtors	-	0	187	0	187
Short-term debtors	24	1,904	0	3,902	5,806
Cash & cash equivalents	26	1,080	5,293	0	6,373
Total for category		**2,984**	**7,153**	**3,902**	**14,039**

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2020				
Long-term borrowing	27	(16,563)	0	(16,563)
Long-term creditors	-	(268)	0	(268)
Bank overdraft	26	(1,572)	0	(1,572)
Short-term borrowing	27	(974)	0	(974)
Short-term creditors	28	(2,026)	(3,849)	(5,875)
Total for category		**(21,403)**	**(3,849)**	**(25,252)**

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2019				
Long-term borrowing	27	(14,747)	0	(14,747)
Long-term creditors	-	(258)	0	(258)
Bank overdraft	26	(1,959)	0	(1,959)
Short-term borrowing	27	(605)	0	(605)
Short-term creditors	28	(3,686)	(3,800)	(7,486)
Total for category		**(21,255)**	**(3,800)**	**(25,055)**

Information about the fair value at each class of financial instruments is given in notes 32.5 and 32.6

32.2 Material Soft Loans made by the Authority

The Authority does not have any material soft loans.

32.3 Reclassification of financial assets

There has been no reclassification of financial assets during 2019-20 (2018-19: nil).

32.4 Defaults and breaches

There have been no defaults of loans payable as at 31 March 2020 (31 March 2019: nil).

32.5 Fair value of financial assets and financial liabilities measured at fair value on a recurring basis

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 following table shows the levels within the fair value hierarchy of financial assets measured at fair value on a recurring basis:

Financial assets carried at fair value	Note	Level	31.3.20 £'000	31.3.19 £'000
Money Market Funds (AAA rated)	26	1	5,860	5,293
Unquoted Equity Investments (shares)	23	2	11	11
Secured 12% loan notes - AIP LLP	23	3	1,283	1,662
Loans to third parties	-	3	452	187

Money Market Funds - level 1

The Authority's investments in money market funds are held in low volatility net asset value funds. The (quoted) fair value of these funds is represented by the par value of principal sums invested plus interest (dividends) earned but not yet received.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

Unquoted equity investments - level 2

The fair value of the Authority' investment in WCF Limited is measured according to the share price published by the company; being the price at which sales and purchases will be transacted on specified dealing dates set by the company.

Allerdale Investment Partnership LLP - 12% secured investor loan notes 2034 – level 3

The fair value of the Authority's holding of Allerdale Investment Partnership LLP secured loan notes is estimated by calculating the present value of the cash flows expected to take place over the remaining term of the loan. Cash flows relating to principal and interest are discounted using a benchmark interest rate (PWLB new loan rate) in force at close of business on the last working day of the financial year, for loans with a similar repayment period. This rate is then adjusted for the credit spread, calculated by reference to the instruments coupon rate and the benchmark rate at the origination date.

At 31 March 2020 the fair value estimate has been calculated by discounting the expected cash flows of £1,552,770 (2019: £2,047,230) over an expected term of 2 years (2019: 2 years) at a discount rate of 10% (2019: 11%).

Loans to third parties – level 3

The fair value of loans to third parties is estimated by calculating the present value of the cash flows expected to take place over the remaining term of the loan. Cash flows relating to principal and interest are discounted using a benchmark interest rate (PWLB new loan rate) in force at close of business on the last working day of the financial year, for loans with a similar repayment period. This rate is then adjusted for the credit spread, calculated by reference to the instruments coupon rate and the benchmark rate at the origination date. Discounting is not applied where the impact is not material.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Changes in the Valuation Technique

There has been no change in the valuation techniques used during the year for the financial instruments.

Reconciliation of fair value measurements categorised within level 3 of the fair value hierarchy

The following table provides a reconciliation of the opening balances to the closing carrying amounts of non-financial assets classified within Level 3.

	2019/20		
	AIP LLP loan notes £'000	Loans to third parties £'000	Total £'000
Carrying amount at 1 April 2019	1,662	187	1,849
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services[1]	(379)	15	(364)
Additions	0	250	250
Disposals	0	0	0
Carrying amount at 31 March 2019	**1,283**	**452**	**1,735**

[1] recognised in the Financing and Investment Income and Expenditure line item

	2018/19		
	AIP LLP loan notes £'000	Loans to third parties £'000	Total £'000
Carrying amount at 1 April 2018	1,680	0	1,680
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services[1]	186	(63)	123
Additions	0	250	250
Disposals	(204)	0	(204)
Carrying amount at 31 March 2019	**1,662**	**187**	**1,849**

[1] recognised in the Financing and Investment Income and Expenditure line item

At 31 March 2020 the sensitivity of fair value measurements categorised within level 3 of the fair value hierarchy to reasonably possible changes in one significant unobservable inputs, holding other inputs constant, is provided below:

	Impact on (Surplus) or Deficit on the Provision of Services			
At 31 March 2020	Increase in interest rate £'000	Decrease in interest rate £'000	Acceleration £'000	Delay £'000
AIP Loan Notes				
• 1% change in interest rate used to discount cash flows	23	(24)	-	-
• 6 month acceleration/delay in timing of expected cash flows	-	-	(63)	60
Loans to third parties				
• 1% change in interest rate used to discount cash flows	0	0	-	-

At 31 March 2019	Impact on (Surplus) or Deficit on the Provision of Services			
	Increase in interest rate £'000	Decrease in interest rate £'000	Acceleration £'000	Delay £'000
AIP Loan Notes				
• 1% change in interest rate used to discount cash flows	30	(30)	-	-
• 6 month acceleration/delay in timing of expected cash flows	-	-	(89)	84
Loans to third parties				
• 1% change in interest rate used to discount cash flows	0	0	-	-

32.6 Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- Trade receivables, cash and cash equivalents, trade payables and bank overdrafts
- Other short term borrowing maturing within 12 months of the balance sheet date.

For those financial assets and liabilities whose carrying value does not approximate fair value, the following table presents a comparison, by class, of the carrying amounts and fair value.

	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31/3/20 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(17,452)	-	-	(27,495)	(27,495)
At 31 March 2020	**(17,452)**	**-**	**-**	**(27,495)**	**(27,495)**

	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31/3/19 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(15,267)	-	-	(25,782)	(25,782)
At 31 March 2019	**(15,267)**	**-**	**-**	**(25,782)**	**(25,782)**

The fair value of financial asset and liabilities not measured at fair value and included in levels 2 and 3 in the above table, have been estimated using a discounted cash flow analysis.

PWLB Debt

The fair value of PWLB loans is measured by calculating the present value of the cash flows relating to principal and interest that will take place over the remaining term of each loan. Cash flows are discounted using a representative interest rate that a market participant would consider indicative of economic conditions at the measurement date. The interest rates used are derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. These rates are adjusted to reflect market participant's assumptions of the Authority's own non-performance risk by using the estimated credit spread between gilt yields and PWLB new loans rates, and yields on AA rated loans with similar repayment terms.

The fair value measurement of financial liabilities, including PWLB deb,t assumes that the financial liability is transferred to a market participant at the measurement date and would:

- remain outstanding with the market participant transferee required to fulfil the obligation
- not be settled with the counterparty or otherwise extinguished on the measurement date.

When a quoted price for the transfer of an identical or a similar liability is not available and the identical item is held by another party as an asset, the fair value of the liability is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date.

The fair value of PWLB debt of £27,495k (31.3.19: £25,782k) does not represent the amount at which the Authority could settle, prematurely, its outstanding loans with the PWLB. At the balance sheet date, the amount payable by the Authority to repay its PWLB debt prematurely - measured using PWLB premature repayment rates - is £35,832k (31.3.19: £29,605k).

33. Cash Flows from Operating Activities

33.1 Reconciliation of Net Surplus or (Deficit) on the Provision of Services to the Net Cash Flow from operating activities

	2019/20 £'000	2018/19 £'000
Net Surplus or (Deficit) on the Provision of Services	(5,155)	(2,148)
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	2,115	1,936
Amortisation	7	13
Impairment and downward valuations	(224)	671
Increase/(Decrease) in interest creditors	2	6
Increase/(Decrease) in creditors	1,821	(385)
(Increase)/Decrease in interest and dividend debtors	(211)	(206)
(Increase)/Decrease in debtors	(406)	(101)
(Increase)/Decrease in inventories	(26)	8
Movement in pension liability	3,168	1,671
Contributions to/(from) provisions	458	215
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	764	596
Movement in investment property values	523	(604)
Other non-cash items	575	137
	8,566	**3,957**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from short-term investments , long-term investments & long-term debtors	0	(63)
Capital Grants credited to surplus or deficit on the provision of services	(346)	(208)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(100)	(644)
	(446)	**(915)**
Net Cash Flows from Operating Activities	**2,965**	**894**

33.2 Cash Flows from Operating Activities (Interest)

	2019/20 £'000	2018/19 £'000
Cash flows from interest receivable		
Interest and dividends receivable	311	297
Opening debtor	891	728
Closing debtor	(1,101)	(891)
Interest Received	**101**	**134**
Cash flows from interest payable		
Interest charge for year	(821)	(829)
Opening creditor	(203)	(197)
Closing creditor	206	203
Interest Paid	**(818)**	**(823)**

34. Cash Flows from Investing Activities

	2019/20 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(2,551)	(4,127)
Other payments for investing activities	(250)	(305)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	100	644
Proceeds from sale of long-term investments (loan principal repaid)	0	204
Other capital cash receipts	0	126
Capital Grants received	321	889
Total Cash Flows from Investing Activities	**(2,380)**	**(2,569)**

35 Cash Flows from Financing Activities

	2019/20 £'000	2018/19 £'000
Cash receipts from short and long- term borrowing	2,500	0
Billing Authorities - Council Tax and NNDR adjustments	268	1,068
Repayment of short-term and long-term borrowing	(319)	(313)
Total Cash Flows from Financing Activities	**2,449**	**755**

36 Reconciliation of Liabilities arising from Financing Activities

Changes in liabilities arising from financing activities are classified as follows:

	1 April 2019	Financing cash flows	Other changes		31 March 2020
			Acquisition	Other [1]	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	14,747	2,500	0	(684)	16,563
Short-term borrowings	605	(319)	0	688	974
	15,352	2,181	0	4	17,537
Billing Authorities - Council Tax and NNDR adjustments	865	268	0	0	1,133
Total liabilities from financing activities	**16,217**	**2,449**	**0**	**4**	**18,670**

	1 April 2018	Financing cash flows	Other changes		31 March 2019
			Acquisition	Other [1]	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	15,067	0	0	(320)	14,747
Short-term borrowings	593	(313)	0	325	605
	15,660	(313)	0	5	15,352
Billing Authorities - Council Tax and NNDR adjustments	(203)	1,068	0	0	865
Total liabilities from financing activities	**15,457**	**755**	**0**	**5**	**16,217**

[1]Other [non-cash] changes includes the effect of reclassification of non-current portion of interest-bearing loans and the effect of loan interest accrued but not yet paid. The Authority classifies interest paid as cash flows from operating activities.

[2] Other liabilities comprise the difference between the:

- major preceptors’ share of net cash collected from council tax payers and net cash paid to major preceptors as precepts and settlement of the previous year’s surplus or deficit on the Collection Fund
- central government and the major preceptors’ share of net cash collected from non-domestic rating debtors and net cash paid to central government and major preceptors as precepts and settlement of the previous year’s surplus or deficit on the Collection Fund for NNDR income.

37. Nature and extent of risks arising from financial instruments

37.1 Risk management objectives and policies

The Authority is exposed to various (financial) risks in relation to financial instruments. The main types of risks are:

- **Credit risk** - the risk that a party to a financial instrument will cause a financial loss for the Authority by failing to discharge an obligation
- **Liquidity risk** - the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. It includes the inability to obtain finance or to re-finance existing borrowing as it falls due in order to meet cash flow obligations, or that refinancing can only be achieved on terms that are unfavourable and/or inconsistent with prevailing market conditions at the time
- **Market risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:
  (i) **Interest rate risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates
  (ii) **Currency risk-**– the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates
  (iii) **Price risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Authority has adopted the CIPFA Code of Practice for Treasury Management in Public Services and regards the successful identification, monitoring and control of risk as the prime criteria for measuring the effectiveness of its treasury management activities.

Objectives, policies and processes for managing the risk, including details of how risks are identified, monitored and controlled are set out in the Authority's Treasury Management Policy Statement, Treasury Management Practices (TMPs) and Annual Treasury Management Strategy Statement and Investment Strategy. These have been prepared in accordance with CIPFA Code of Practice for Treasury Management in Public Services and MHCLG's Investment Guidance.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under delegated authorities and policies approved by the Council and set out in the Authority's Treasury Management Policy Statement, Treasury Management Practices and Annual Treasury Management Strategy Statement and Investment Strategy.

Regular reports on the Authority's treasury management policies, practices and activities are prepared for consideration by members. This includes consideration by Full Council of the Authority's Annual Treasury Management Strategy Statement and Investment Strategy in advance of the year, a mid-year review and an annual report after the year-end on the performance of the treasury management function, the effects of the decisions taken and transactions executed in the past year and any circumstances of non-compliance with the Authority's Treasury Management Policy Statement and TMPs.

The most significant financial risks to which the Authority is exposed and the policies and strategies employed to manage these risks are described below.

37.2 Credit Risk

Risk Management

Credit risk arises from deposits and investments with banks and other financial institutions, as well as credit exposures associated with trade and other receivables.

The Authority’s primary policy objective is to ensure the security of the principal sums invested in priority to liquidity and yield. Credit risk exposures are managed by:

- restricting the counterparties with whom investments may be placed to those financial institutions and other bodies with a minimum long-term rating across all three of the main credit ratings agencies (Fitch, Moody’s and Standard and Poor) of A- or equivalent (AA+ or equivalent for non-UK sovereigns)
- placing restrictions on the types of investment instruments that may be used
- setting limits on the principal amounts invested and duration of individual instruments dependent on the financial standing (creditworthiness) of the counterparty.

The creditworthiness of counterparties is assessed primarily by reference to published credit ratings. The assessment also includes reference to other sources of information on credit risk including credit default swaps, sovereign ratings and support mechanisms and market sentiment towards counterparties.

Credit ratings are kept under regular review and ratings watch notices - indicating imminent downgrading or upgrading of a credit rating - acted upon.

With the exception of funds placed with HM Treasury’s Debt Management Office, the maximum amount that may be placed with any institution or group of institutions that are part of the same banking group is £4m. All new investments are subject to a maximum maturity of 365 days.

The Authority’s Treasury Management Practices and Annual Investment Strategy specify the types of investment instruments that may be used by the Authority. Permitted instruments are categorised as either “Specified” or “Non-Specified” investments as defined in MHCLGs Investment Guidance to distinguish those instruments offering relatively high security and high liquidity from those with higher credit risk.

The Authority continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls.

37.3 Impairment of financial assets

The Authority recognises an allowance for expected credited losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Trade Receivables

For trade receivables and contract assets, the Authority applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience (in the four years prior to the current financial year), adjusted for factors that are specific to individual debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

In measuring the expected credit losses, significant trade receivable balances are assessed individually for impairment where specific information regarding recoverability of the debt is available. Trade receivables not assessed individually have been assessed on a collective basis based on shared risk characteristics and days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis, the expected loss allowance for trade receivables at 31 March 2020 and 31 March 2019 for trade receivables is as follows:

At 31 March 2020 **Past due status**	**Total** **£'000**	**Not past due (0 to 30 days)** **£'000**	**31 days - 6 months** **£'000**	**6 - 12 months** **£'000**	**Over 12 months** **£'000**
Debtors individually assessed	38	0	0	0	38
Expected credit loss (individually assessed)	**(38)**	**0**	**0**	**0**	**(38)**
Debtors collectively assessed	1,863	1,626	36	1	200
Loss rate	-	1%	5%	9%	21%
Expected credit loss (collectively assessed)	**(59)**	**(16)**	**(2)**	**0**	**(41)**
Total Lifetime Expected credit losses	**(97)**	**(16)**	**(2)**	**0**	**(79)**

[1] Excluding public sector debts for which relevant statutory provisions prevent default

At 31 March 2019 **Past due status**	**Total[1]** **£'000**	**Not past due 0 - 30 days** **£'000**	**31 - 60 days** **£'000**	**61 -90 days** **£'000**	**Over 90 days** **£'000**
Debtors individually assessed	38	0	0	0	38
Expected credit loss (individually assessed)	**(38)**	**0**	**0**	**0**	**(38)**
Debtors collectively assessed	1,901	1,723	11	12	155
Loss rate	-	1%	5%	8%	17%
Expected credit loss (collectively assessed)	**(44)**	**(17)**	**(1)**	**(1)**	**(25)**
Total Lifetime Expected credit losses	**(82)**	**(17)**	**(1)**	**(1)**	**(63)**

[1] Excluding public sector debts for which relevant statutory provisions prevent default

The closing balance of the trade receivables loss allowance at 31 March 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	2019/20 **£'000**	**2018/19** **£'000**
Opening loss allowance as at 1 April (IFRS 9)	(82)	(82)
Loss allowance recognised during the year	(30)	0
Receivables written off during the year	15	0
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	**(97)**	**(82)**

Deposits and investments with banks and other financial institutions measured at amortised cost

All short-term investments (including those classified as cash and cash equivalents) with banks and other financial institutions, are considered to have low credit risk given their high external credit ratings and the strong capacity of the investment counterparties to meet their contractual cash flow obligations. As such, the Authority assumes the credit risk on these financial instruments has not increased significantly since initial recognition (as permitted by IFRS 9) and recognises 12-month ECLs for these assets. The Authority considers a financial instrument to have a low credit risk, where it has an external investment grade credit rating of not lower than of BBB- or equivalent. At 31 March investments held with banks and other financial institutions classified as cash and cash equivalents and measured at amortised cost comprise:

	Credit rating	31/3/20 £'000	31/3/19 £'000
Call accounts	AA-	1,387	431
Call accounts	A	1,502	312
		2,889	**743**
Other bank deposits	A	250	287
		3,139	**1,030**

Historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard & Poor's, shows the probability of default for assets rated A/AA at between 0.02% and 0.05% (2018-19: 0.02% to 0.05%). The 12-month expected credit loss on these assets at 31 March 2020 and 31 March 2019 is therefore not material.

Other receivables measured at amortised cost (long-term debtors)

For long-term debtor balances, recognition of 12-month expected credit losses or lifetime expected credit losses is dependent on whether there has been a significant increase in credit risk of these items since initial recognition.

At 31 March 2020, the gross carrying amount of long-term debtors measured at amortised cost is £58,095 (31 March 2019: £58,095).

The closing balance of the loss allowance for other receivables at 31 March 2020 reconciles with the other receivables loss allowance opening balance as follows:

	2019/20 £'000	2018/19 £'000
Opening loss allowance as at 1 April	(58)	0
Loss allowance recognised during the year (lifetime ECLs)	0	(58)
Receivables written off during the year	0	0
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	**(58)**	**(58)**

37.4 Maximum exposure to credit risk at the reporting date

For debt instruments measured at fair value, the Authority's maximum exposure to credit risk at the balance sheet date is represented by the carrying amount of its financial assets, as set out in note 32.

Financial guarantees

The maximum exposure to credit risk in respect of financial guarantees is the maximum amount the Authority could have to pay if the guarantee is called on.

In 1987 the Authority entered into an arrangement to guarantee loan stock issued by Home Housing Association. In accordance with transitional provisions contained in the Code, this guarantee is recognised and measured in accordance with section 8.2 of the Code - Provisions, Contingent Liabilities and Contingent Assets (IAS 37) rather than Chapter 7 - Financial Instruments (IFRS 39). Further details, including the maximum exposure to credit losses in respect of this guarantee, are set out in note 40.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and investments with banks, building societies and other financial institutions.

37.5 Collateral and Other Credit Enhancements

The Allerdale Investment Partnership Secured 12% Investor Loan Notes are secured by a fixed and floating charge over the assets of the Partnership.

None of the Authority's other financial assets are secured by collateral or other credit enhancements.

37.6 Liquidity Risk

The Authority's policy is to ensure:

- it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
- borrowing is negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Authority manages its liquidity needs by:

- effective cash flow forecasting and monitoring of cash balances across various time horizons
- maintaining prudent levels of liquid funds in call accounts, Money Market funds and other short term instruments
- monitoring scheduled debt servicing payments for long term financial liabilities and setting limits on the amount of borrowing that matures within any specified period.

The Authority also has ready access to borrowing from the Public Works Loans Board. As a consequence, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This is managed through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments in order to limit the amount of fixed rate borrowing that matures within any specified period.

37.7 Contractual maturity analysis – non-derivative financial liabilities

The contractual maturity of the Authority's financial liabilities (including interest payments where applicable) is as follows:

At 31 March 2020	PWLB £'000	Local bonds £'000	Trust funds £'000	Total External Borrowing £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:							
Under 12 months	1,532	31	54	1,617	1,572	2,026	5,215
12 months and within 24 months	1,523	0	0	1,523	0	0	1,523
24 months and within 5 years	4,491	0	0	4,491	0	0	4,491
5 years and within 10 years	6,126	0	0	6,126	0	0	6,126
10 years and within 20 years	8,515	0	0	8,515	0	0	8,515
20 years and within 30 years	6,073	0	0	6,073	0	0	6,073
30 years and within 40 years	11,164	0	0	11,164	0	0	11,164
	39,424	31	54	**39,509**	1,572	2,026	**43,107**
Effect of discounting	(22,177)	0	0	(22,177)	0	0	(22,177)
Interest accrual	205	0	0	205	0	0	205
Balance sheet carrying amount at 31 March 2020	17,452	**31**	**54**	**17,537**	**1,572**	**2,026**	**21,135**

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

At 31 March 2019	PWLB £'000	Local bonds £'000	Trust funds £'000	Total External Borrowing £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:							
Under 12 months	1,138	31	54	1,223	1,959	3,686	6,868
12 months and within 24 months	1,132	0	0	1,132	0	0	1,132
24 months and within 5 years	3,360	0	0	3,360	0	0	3,360
5 years and within 10 years	5,474	0	0	5,474	0	0	5,474
10 years and within 20 years	8,750	0	0	8,750	0	0	8,750
20 years and within 30 years	6,217	0	0	6,217	0	0	6,217
30 years and within 40 years	11,813	0	0	11,813	0	0	11,813
	37,884	31	54	**37,969**	1,959	3,686	**43,614**
Effect of discounting	(22,817)	0	0	(22,817)	0	0	(22,817)
Interest accrual	200	0	0	200	0	0	200
Balance sheet carrying amount at 31 March 2019	**15,267**	**31**	**54**	**15,352**	**1,959**	**3,686**	**20,997**

37.8 Interest rate risk

The Authority is exposed to interest rate risk on its borrowings and investments.

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 will affect the General Fund Balance.

Movements in the fair value of fixed rate investments classified as fair value through profit or loss, will be reflected in in the Surplus or Deficit on the Provision of Services. Changes in the fair value of fixed rate investments classified and measured at amortised cost, do not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Borrowings are not carried at fair value. Nominal gains and losses on fixed rate borrowings do not therefore impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Authority's policy objective is to manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

The Authority manages its exposures by borrowing mainly at fixed rates, by placing limits on the proportions of fixed and variable rate borrowings and investments and by the use of variable rate debt instruments to offset exposure to changes in short-term rates on investments.

At 31 March 2020 all PWLB borrowing was at fixed rates (2019: 100%).

The table below illustrates the estimated impact on the Surplus or Deficit on the Provision of Services and Other Comprehensive Income and Expenditure, as a result of applying a reasonably possible change to prevailing market interest rates to the Authority's exposures at the balance sheet date.

The calculations are based on a change in market interest rates of +/- 1% (100 basis points) for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. This analysis is for illustrative purposes only.

Impact on:	1% decrease in interest rates		1% increase in interest rates	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
(Surplus) or Deficit on the Provision of Services	57	32	(68)	(31)
Other Comprehensive Income and Expenditure	0	0	0	0

Based on the weighted average balances outstanding during the year, the impact of a 1% increase in market rates of interest on the surplus or deficit on the provision of services would have been a reduction in net interest payable of £138,625 (2018-19: £155,746). A 1% decrease in market rates of interest would have increased net interest payable by £89,712 (2018-19: £89,825).

37.9 Price risk

The Authority holds a limited number of equity shares. These instruments are classified and measured at fair value through profit or loss, meaning that all movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services.

The Authority consequently has limited exposures to losses arising from movements in the market price of these investments.

A general shift of 5% in the general price of these instruments (positive or negative) would thus have resulted in a gain or loss of less than £1,000 being recognised in the Surplus or Deficit on the Provision of Services.

37.10 Currency risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

38. Leases

38.1 Operating Lease – Authority as Lessee

The Authority leases a Multi-Storey car park in Workington and office space in Cockermouth and Wigton. The Authority also leases vehicles and office equipment for its own use. Future minimum lease payments under non-cancellable operating leases as at 31 March are as follows:

At 31 March 2020	Future minimum rent payable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Property Leases	295	1,335	7,255
Ground Rent	0	0	0
Vehicles & equipment	52	95	0
	347	**1,430**	**7,255**

At 31 March 2019	Future minimum rent payable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Property Leases	290	1,288	7,591
Ground Rent	0	0	0
Vehicles & equipment	54	117	0
	344	**1,405**	**7,591**

The expenditure charged to the Comprehensive Income & Expenditure Statement in relation to these leases was:

	2019/20			2018/19 – as restated		
	Minimum Lease Payments £'000	Contingent Rents £'000	Sub Lease Payments Receivable £'000	Minimum Lease Payments £'000	Contingent Rents £'000	Sub Lease Payments Receivable £'000
Property Leases	298	0	0	290	0	0
Ground Rent	0	0	0	0	0	0
Vehicles	59	5	0	74	0	0
	357	**5**	**0**	**364**	**0**	**0**

38.2 Operating Lease – Authority as Lessor

The Authority acts as a lessor in respect of land and property owned by it and leased to tenants. The future minimum lease payments receivable under these arrangements are as follows:

At 31 March 2020	Future minimum payments receivable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Small Licence Allotment	9	0	0
Industrial Land	93	355	4,215
Shops, Sub Stations & Other	412	1,443	54,742
	514	**1,798**	**58,957**

At 31 March 2019	Future minimum payments receivable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Small Licence Allotment	9	0	0
Industrial Land	93	360	4,282
Shops, Sub Stations & Other	438	1,519	55,095
	540	**1,879**	**59,377**

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. In 2019-20: £1,057,261 of contingent rents were receivable by the Authority (2018-19: £1,174,770).

39. Related Party Transactions

The Authority is required to disclose material transactions with related parties. These include a person (or close family member of that person) or an entity, that either controls or significantly influences the decisions and operations of the Authority or vice-versa. Related parties of the Authority include elected members, chief officers and entities controlled or significantly influenced by the Authority. It also includes the UK Government which exerts significant influence through legislation and grant funding. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority. A number of these transactions have already been disclosed within the financial statements and supporting notes as follows:

a) Transactions and balances with Central Government, NHS bodies and other local authorities (including parish councils) are disclosed within the Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement

b) Transactions and balances with the County Council, Central Government and Police and Crime Commissioner - in respect of council tax and NNDR - are disclosed in the Collection Fund Account and supporting notes

c) Transactions and balances with the Pension Fund are summarised in note 31

d) Remuneration of key management personnel is disclosed in note 12 - Members’ Allowances and note 13 - Officers’ Remuneration.

Transactions with Subsidiaries – Allerdale Waste Services Limited

During the year ended 31 March 2020 the Authority incurred costs on behalf of the company in the sum of £113,298 of which £113,298 was unpaid at 31 March 2020. The Authority also made an advance to the Company of £160,000 in respect of the annual service charge for 2020-21 waste collection and recycling services.

Transactions with Joint Ventures

At 31 March 2020 the Authority held Secured 12% Investor Loan Notes 2034, issued by Allerdale Investment Partnership LLP. These loan notes were issued at par with an issue value of £1,537,547. The balance held comprises £1,522,500 issued in 2014-15 in connection with the sale of surplus land to wholly owned subsidiaries of the partnership plus £15,047 in respect of additional loan notes issued in 2015-16 (nominal value £222,000, less principal repayments made in 2018-19 of £206,953).

During 2017-18, a variation to the terms of the AIP loan notes was agreed by the noteholders. As a result of this variation, no further interest is payable to noteholders after 2016-17 and for such time as the percentage difference between each members profit share proportion is 5% or less. Rights accrued under the original agreement are unaffected by this change.

During 2018-19 repayments of principal and interest in respect of periods ending on or before 31 March 2017 of £250,000 were received by the Authority.

At 31 March 2020, the balance of principal and interest outstanding on the Allerdale Investment Partnership LLP Secured 12% Investor Loan Notes 2034 was £2,047,300 (31 March 2019: £2,047,300).

40. Contingent Assets and Liabilities

40.1 Home Housing Association

During 1987 the Authority entered into a joint scheme with Home Housing Association to secure the development of five sites in Workington, Silloth, Cockermouth and Keswick for houses to rent. Home Housing Association has, in three tranches, raised £100 million of stock which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors, all participating authorities were required to enter into a standard form of Guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There are nineteen authorities participating in the scheme.

The total liability to be guaranteed by participating authorities will be £100 million. This will continue in force until 2037 when the loan stock falls due to be repaid.

The strict liability of each authority under guarantee would be £100 million and, because the liability is joint and several, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee. There is a Counter Indemnity and Contribution arrangement whereby each participating Authority undertakes to reimburse any other authority or authorities paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the Guarantee were called in, the worst situation for the Authority would be that once it had recovered any contribution from other authorities, it would be left to fund no more than the cost of the development in its own area. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on. The latest schedule of guarantee levels indicates the Authority's Estimated Development Expenditure at £4,106,000 from an overall total of £84,100,000.

40.2 Municipal Mutual Scheme of Arrangement

In 1992-93 the Authority's insurers, Municipal Mutual Insurance (MMI) ceased trading and entered into a scheme of arrangement. This arrangement enabled MMI to continue to deal with and pay liability claims arising from incidents up to 1993 with the aim of achieving a solvent run off. Under the scheme of arrangement if a solvent run off is not achievable, a percentage of claims payments made since 1993 could be clawed back by MMI.

Control of the Company has passed to a Scheme Administrator who, after carrying out a review of the assets and liabilities of MMI, advised the creditors of an initial levy rate of 15% on all claims paid to date within the scheme structure which exceeded £50,000 in aggregate. The initial levy rate, set in 2013-14 was subsequently increased to 25% from 1 April 2016. To date, the Authority has made levy payments of £91,074 against claim payments of £414,298. At 31 March 2019, no further provision has been made for additional levy payments that would become payable should the Scheme Administrator increase the levy rate further. In the event that the levy rate is increased, the maximum additional levy payable by the Authority is £273,224 (31.3.19: £273,224).

40.3 Claim for compensation for alleged breach of contract

During 2019-20 the Authority received a claim from one of its suppliers seeking damages for losses, estimated to be in excess of £3.2m, incurred as a result of an alleged breach of contract.

The Authority rejects the assertion that a breach contract has occurred and that as consequence, the contractor has no entitlement to damages. Should proceedings be issued against the Authority, it will defend the claim and will look to recover its legal costs from the contractor.

41. Trust Funds

41.1 Keswick Museum and Art Gallery (Registered Charity Number 1088956)

Allerdale Borough Council is the sole trustee of Keswick Museum and Art Gallery, an unincorporated charitable trust, the objects of which are to maintain a public museum. Property of the trust - vested in the Authority as sole trustee - comprises the museum building situated at Station Road, Keswick and the Museum Collections & Exhibits.

Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2019-20 the Trust received a contribution of £28,217 (2018-19: £44,537) from Allerdale Borough Council. The museum is managed on behalf of the Authority by Keswick Museum and Art Gallery Management Limited (Registered Charity Number: 1156330). The Keswick Museum and Art Gallery accounts are summarised below.

Summary Statement of Financial Activities	2019/20 £	2018/19 £
Income		
Contribution from Allerdale Borough Council	(28,217)	(44,537)
Donations	0	0
Total Income	(28,217)	(44,537)
Expenditure		
Direct charitable expenditure	28,217	44,537
(Gain)/loss on disposal of fixed assets	0	0
Total Expenditure	28,217	44,537
Net (income)/Expenditure for the year		
Other gains and losses		
(Gains)/loss on revaluation of fixed assets	0	0
Net (increase)/decrease in funds	**0**	**0**

Summary Balance Sheet	31/03/20 £	31/03/19 £
Heritage Assets	1,134,140	1,134,140
Total Fixed Assets	**1,134,140**	**1,134,140**
Cash & cash equivalents	0	0
Total Current Assets	0	0
Net Assets	**1,134,140**	**1,134,140**
Represented by:		
Unrestricted income funds	0	0
Designated funds:		
Museum Collections & Exhibits	1,134,140	1,134,140
	1,134,140	**1,134,140**

41.2 **Helena Thompson Museum** (Registered Charity Number 1119567)

Allerdale Borough Council is the sole trustee of the Helena Thompson Museum, an unincorporated charitable trust. The trust exists to maintain in good repair and condition, the museum property (comprising the museum buildings, ground and collections), to support the purchase of antiques and articles of local interest for the museum and to fund the general expenses of the museum. The Trust property is vested in the Authority as sole trustee. Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2019-20 the Trust received a contribution of £69,049 (2018-19: £77,508) from Allerdale Borough Council. The museum is managed on behalf of the Authority by Workington Heritage Group Limited (“WHG”) (Registered Charity Number: 1127084). The Helena Thompson Museum accounts are summarised below.

Summary Statement of Financial Activities	2019/20 £	2018/19 £
Income		
Contribution from Allerdale Borough Council	(69,049)	(77,508)
Investments	0	0
Total Income	(69,049)	(77,508)
Expenditure		
Direct charitable expenditure	69,049	77,508
Depreciation of buildings	23,730	41,521
Total Expenditure	92,779	119,029
Net (income)/Expenditure for the year		
Other gains and losses		
(Gain)/loss on revaluation of fixed assets	0	91,362
Net (increase)/decrease in funds	**23,730**	**132,883**

Summary Balance Sheet	31/3/20 £	31/3/19 £
Tangible Assets	687,270	711,000
Heritage Assets	565,975	565,975
Investments	12,361	12,361
Total Fixed Assets	**1,265,606**	**1,289,336**
Cash & cash equivalents	0	0
Total Current Assets	**0**	**0**
Net Assets	**1,265,606**	**1,289,336**
Represented by:		
Restricted fund - Tangible assets	384,773	400,080
Revaluation reserve - Tangible assets	302,497	310,920
Restricted fund - Heritage assets	1,000	1,000
Revaluation reserve - Heritage assets	564,975	564,975
Restricted fund - Permanent endowment	12,361	12,361
	1,265,606	**1,289,336**

41.3 Other Funds

The Authority also acts as administrator and/or trustee for a number of charitable and other funds. These funds do not represent assets of the Authority and are not included in the Authority's Balance Sheet. At 31 March 2020 the total value of these funds was £41,795 (31 March 2019: £41,795).

42. Events After the Balance Sheet Date

The Statement of Accounts was certified by the Head of Financial Services, (Catherine Nicholson) on 24 November 2020.

Events taking place after this date are not reflected in the Statements or Notes. Where an event taking place before this date provided information about conditions existing at 31 March 2020, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

Collection Fund

Income and Expenditure Account 2019/20

	2019/20			2018/19		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax Receivable	-	58,383	58,383	-	55,172	55,172
Business Rates Receivable	28,541	-	28,541	28,695	-	28,695
Contribution towards previous year's estimated deficit	0	-	0	1,409	-	1,409
Transitional Protection Payments	430	-	430	716	-	716
	28,971	**58,383**	**87,354**	**30,820**	**55,172**	**85,992**
EXPENDITURE						
Precepts (note 4)						
Allerdale Borough Council	-	7,502	7,502	-	7,124	7,124
Cumbria County Council	-	42,476	42,476	-	40,444	40,444
Police & Crime Commissioner for Cumbria	-	7,871	7,871	-	7,066	7,066
Business Rates (note 5)						
Payments to Central Government	13,502	-	13,502	13,844	-	13,844
Allerdale Borough Council	10,802	-	10,802	11,075	-	11,075
Cumbria County Council	2,700	-	2,700	2,769	-	2,769
Transitional Protection Payments	0	-	0	0	-	0
Cost of Collection	183	-	183	182	-	182
Disregarded Amounts	511	-	511	382	-	382
Contribution towards previous year's estimated surplus	32	280	312	-	696	696
Bad and Doubtful Debts						
Write-off of uncollectable amounts	224	199	423	225	180	405
Movement in allowance for impairment	42	28	70	(141)	194	53
Movement in provision for NNDR appeals	775	0	775	1,136	-	1,136
	28,771	**58,356**	**87,127**	**29,472**	**55,704**	**85,176**
Movement on Collection Fund						
Surplus/(Deficit) for year	200	27	227	1,348	(532)	816
Surplus/(Deficit) at 1 April	65	171	236	(1,283)	702	(581)
Surplus/(Deficit) at 31 March	**265**	**198**	**463**	**65**	**170**	**235**
Allocation of Surplus/(Deficit):						
Central Government	133	-	133	33	-	33
Allerdale Borough Council	106	26	132	26	22	48
Cumbria County Council	26	145	171	6	127	133
Police & Crime Commissioner for Cumbria	-	27	27	-	21	21
	265	**198**	**463**	**65**	**170**	**235**

Notes to Collection Fund Account

1 General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The statement shows the transactions to the billing authority in relation to:

- the collection of council tax and non-domestic rates from taxpayers, and
- the distribution of the amounts collected to local authorities - Allerdale Borough Council & major preceptors - (Cumbria County and the Police and Crime Commissioner for Cumbria) and Central Government (central share of non-domestic rates)

The transactions recognised in the Collection Fund are wholly prescribed by legislation. Administrative costs associated with the collection process are charged to the General Fund.

Surpluses or deficits declared by the billing authority in relation to the Collection Fund, in respect of NNDR and Council tax, are distributed to central government and the relevant precepting bodies in the subsequent financial years in accordance with statutory provisions.

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Police & Crime Commissioner for Cumbria and Allerdale Borough Council for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base for 2019-20 of 30,662.47 (2018-19: 30,359.94) represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, having taken account of the estimated collection rate for the year of 98.5% (2018-19: 98.5%).

The basic amount of Council Tax for a Band D property for 2019-20 of £1,814.95 (2018-19: £1,732.86) is multiplied by the proportion specified for the particular band to give an individual amount due.

The following table shows the Band D Equivalent Chargeable Dwellings, the Tax Base and the basis of Council Tax bills for Bands A to H, taking account of the relevant proportion of Band D for each band:

	Proportion of Band D	2019/20 Basic amount of Council Tax[1] £'000	2019/20 Band D equivalent number of chargeable dwellings	2018/19 Basic amount of Council Tax[1] £'000	2018/19 Band D equivalent number of chargeable dwellings
Band A	6/9	1,209.97	9,830.79	1,155.24	9,767.77
Band B	7/9	1,411.63	5,080.72	1,347.78	5,007.30
Band C	8/9	1,613.29	5,728.76	1,540.31	5,665.32
Band D	9/9	1,814.95	4,953.88	1,732.86	4,905.80
Band E	11/9	2,218.27	3,344.88	2,117.94	3,284.36
Band F	13/9	2,621.59	1,468.08	2,503.02	1,459.09
Band G	15/9	3,024.92	690.40	2,888.10	702.22
Band H	18/9	3,629.90	31.90	3,465.72	30.40
Equivalent Chargeable Dwellings			**31,129.41**		**30,822.26**
Tax Base: 98.5% (2018-19: 98.5%) of chargeable dwellings			**30,662.47**		**30,359.94**

[1] excluding parish element

The Council Tax income for 2019-20 of £58,383,883 (2018-19: £55,172,905) comprises:

	2019/20 £	2018/19 £
Billed to Council Tax payers	73,712,303	69,738,740
Council Tax Benefit overpayments[1]	3,679	5,567
Total receivable from taxpayers	73,715,982	69,744,307
Discounts & exemptions	(15,342,858)	(14,578,831)
	58,373,124	55,165,476
Care Leavers (transfer from General Fund)	11,310	7,649
Flood relief (transfer from General Fund)	3,128	5,347
Council Tax Benefit overpayments[1]	(3,679)	(5,567)
	58,383,883	**55,172,905**

[1] Council Tax Benefit was abolished in 2013-14 following the introduction of localised support for council tax and its replacement with a Council Tax Reduction Scheme administered by the Authority. Funding for Council Tax support schemes is now provided through the business rates retention scheme rather than through a separate grant.

3 National Non-Domestic Rates

National Non-Domestic Rates (NNDR) is based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government.

For 2019-20, the total non-domestic rateable value at the year-end is £79.9m (2018-19: £79.02m). The national multipliers for 2019-20 were 49.1p (2018-19: 48.0p) for qualifying Small Businesses, and 50.4p for all other businesses (2018-19: 49.3p).

Under the business rates retention scheme which has operated since 2013-14, 40% of the business rates income received is retained by the Authority. The remainder is paid to Central Government (50%) and Cumbria County Council (10%).

4 Council Tax - Precepts and Demands

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

2019/20	Precept £	Surplus[1] £	Total £
Allerdale Borough Council	7,502,225	36,547	7,538,772
Cumbria County Council	42,476,382	207,472	42,683,854
Police and Crime Commissioner for Cumbria	7,870,444	36,248	7,906,692

[1] distribution based on estimated 2018-19 surplus/deficit at 15 January 2019

2018/19	Precept £	Surplus[1] £	Total £
Allerdale Borough Council	7,124,250	91,201	7,215,451
Cumbria County Council	40,443,387	516,062	40,959,449
Police and Crime Commissioner for Cumbria	7,065,972	88,938	7,154,910

[1] distribution based on estimated 2017-18 surplus/deficit at 15 January 2018

5 Non-Domestic Rates – Payments

2019/20	NNDR income[1] £	Surplus £	Total £
Allerdale Borough Council (transfer from General fund)[1]	10,801,801	12,885	10,814,686
Cumbria County Council	2,700,450	3,221	2,703,671
Central Government	13,502,251	16,107	13,518,358

2018/19	NNDR income[1] £	(Deficit) £	Total £
Allerdale Borough Council (transfer from General fund)[1]	11,075,148	563,595	11,638,743
Cumbria County Council	2,768,787	140,899	2,909,686
Central Government	13,843,935	704,494	14,548,429

[1] excluding transfers and payments relating to cost of collection allowance and disregarded income (renewable energy schemes)

Group Comprehensive Income and Expenditure Statement

	Note	2019/20			2018/19 (as restated)[1]		
		Exp. £'000	Inc. £'000	Net £'000	Exp. £'000	Inc. £'000	Net £'000
Finance & Legal		3,694	(410)	3,284	2,135	(703)	1,432
Economic Growth, Community Development & Placemaking		4,421	(1,715)	2,706	4,505	(1,962)	2,543
Environmental Services		11,016	(6,498)	4,518	11,504	(6,267)	5,237
Policy, Governance & People Resources		6,001	(2,014)	3,987	6,167	(1,739)	4,428
Leisure & Tourism		589	(204)	385	795	(191)	604
Customer Experience & Innovation		20,270	(17,958)	2,312	21,965	(19,769)	2,196
Cost of Services		**45,991**	**(28,799)**	**17,192**	**47,071**	**(30,631)**	**16,440**
(Gains)/losses on disposal of non-current assets				117			(31)
Parish council precepts				2,198			2,024
Other Operating Expenditure				**2,315**			**1,993**
Financing and Investment Income and Expenditure	9			**881**			**(1,182)**
Capital grants and contributions	10			(346)			(208)
Unringfenced revenue grants	10			(3,636)			(3,784)
Council tax income	10			(7,543)			(7,145)
Non-domestic rates income and expenditure	10			(3,705)			(3,893)
Taxation and non-specific grant income and expenditure				**(15,230)**			**(15,030)**
(Surplus) or Deficit on Provision of Services				**5,158**			**2,221**
Share of surplus or deficit on the provision of services by associates and joint ventures				0			0
Tax expenses of subsidiaries, associates and joint ventures				0			0
Group (Surplus)/Deficit				**5,158**			**2,221**
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services							
(Surplus)/deficit on revaluation of non-current assets				(1,815)			(4,954)
Remeasurement of the net defined benefit liability	31			(2,405)			3,001
Share of other comprehensive income of associates and joint ventures				0			0
Other Comprehensive Income and Expenditure				**(4,220)**			**(1,953)**
Total Comprehensive Income and Expenditure				**938**			**268**

[1] Comparative amounts for cost of services have been restated in line with the restatement made to the Authority only Comprehensive Income and Expenditure Statement (see note 2.2)

Group Movement in Reserves Statement

2019/20	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**	**Group Reserves** £'000	**Total Reserves £'000**
Balance at 1 April 2019		**7,358**	**1,038**	**418**	**8,814**	**33,152**	**41,966**	**2,353**	**44,319**
Surplus or (deficit) on provision of services		(5,033)	0	0	**(5,033)**	0	**(5,033)**	**(125)**	**(5,158)**
Other Comprehensive Income and Expenditure		0	0	0	**0**	4,220	**4,220**	0	**4,220**
Total Comprehensive Income and Expenditure		**(5,033)**	**0**	**0**	**(5,033)**	**4,220**	**(813)**	**(125)**	**(938)**
Adjustments between Group and Authority Only Accounts	G3	(122)	0	0	**(122)**	0	**(122)**	**122**	**0**
Adjustments between accounting basis & funding basis under regulations	15	4,189	96	(170)	**4,115**	(4,115)	**0**	**0**	**0**
Increase / (Decrease) in Year		**(966)**	**96**	**(170)**	**(1,040)**	**105**	**(935)**	**(3)**	**(938)**
Balance at 31 March 2020		**6,392**	**1,134**	**248**	**7,774**	**33,257**	**41,031**	**2,350**	**43,381**

2018/19	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**	**Group Reserves** £'000	**Total Reserves £'000**
Balance at 1 April 2018		**8,725**	**460**	**1,036**	**10,221**	**32,276**	**42,497**	**2,486**	**44,983**
Impact of adopting new accounting standards		(396)	0	0	(396)	0	(396)	0	(396)
Restated Balance at 1 April 2018		**8,329**	**460**	**1,036**	**9,825**	**32,276**	**42,101**	**2,486**	**44,587**
Surplus or (deficit) on provision of services		(2,025)	0	0	**(2,025)**	0	**(2,025)**	**(196)**	**(2,221)**
Other Comprehensive Income and Expenditure		0	0	0	**0**	2,013	**2,013**	(60)	**1,953**
Total Comprehensive Income and Expenditure		**(2,025)**	**0**	**0**	**(2,025)**	**2,013**	**(12)**	**(256)**	**(268)**
Adjustments between Group and Authority Only Accounts	G3	(123)	0	0	**(123)**	0	**(123)**	**123**	**0**
Adjustments between accounting basis & funding basis under regulations	15	1,177	578	(618)	**1,137**	(1,137)	**0**	**0**	**0**
Increase / (Decrease) in Year		(971)	578	(618)	**(1,011)**	876	**(135)**	**(133)**	**(268)**
Balance at 31 March 2019		**7,358**	**1,038**	**418**	**8,814**	**33,152**	**41,966**	**2,353**	**44,319**

Group Balance Sheet

	Note	At 31/03/20 £'000	At 31/03/19 £'000
Property, Plant & Equipment	G5	63,457	63,985
Heritage Assets	G6	2,481	2,482
Investment Property	20	24,863	24,841
Intangible Assets	-	46	53
Long-term Investments	23	1,294	1,673
Investments in Associates & Joint Ventures	-	0	0
Long-term Debtors	-	452	187
Long-term Assets		**92,593**	**93,221**
Short-term Investments	-	0	0
Inventory	-	136	76
Short-term Debtors	G7	6,018	5,806
Prepayments	-	1,442	1,194
Cash and Cash Equivalents	G8	9,180	6,373
Current Assets		**16,776**	**13,449**
Bank Overdraft	G8	(1,572)	(1,959)
Short-term Borrowing	G10	(962)	(593)
Short-term Creditors	G9	(5,878)	(7,486)
Contract and Other liabilities	29	(4,508)	(2,222)
Provisions	30	(1,762)	(1,255)
Current Liabilities		**(14,682)**	**(13,515)**
Long-term Creditors & Receipts in Advance	-	(268)	(258)
Provisions	30	(238)	(287)
Long-term Borrowing	G10	(16,563)	(14,747)
Deferred Credits	-	0	(70)
Defined Benefit Pension Scheme	31	(34,237)	(33,474)
Long-term Liabilities		**(51,306)**	**(48,836)**
Net Assets		**43,381**	**44,319**
Usable Reserves	G4	7,763	8,782
Unusable Reserves	G4	35,618	35,537
Total Reserves		**43,381**	**44,319**

Group Cash Flow Statement

	Note	2019/20 £'000	2018/19 £'000
Net surplus or (deficit) on the provision of services	-	(5,158)	(2,221)
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	G11	8,760	4,030
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G11	(446)	(915)
Net cash flows from Operating Activities		**3,156**	**894**
Net cash flows from Investing Activities	G12	(2,411)	(2,569)
Net cash flows from Financing Activities	35	2,449	755
Net increase or (decrease) in cash and cash equivalents		**3,194**	**(920)**
Cash and cash equivalents at the beginning of the reporting period	G8	4,414	5,334
Cash and cash equivalents at the end of the reporting period	G8	**7,608**	**4,414**

Notes to the Group Accounts

G1. Expenditure and Funding Analysis

	2019/20			2018/19 (as restated)		
	Net Expenditure chargeable to General Fund (GF) Balances (statutory basis) £'000	Adjustments between the Funding and Accounting Basis Note G1.1 £'000	Net Expenditure in Group Comprehensive Income & Expenditure Statement (accounting basis) £'000	Net Expenditure chargeable to General Fund (GF) Balances (statutory basis) £'000	Adjustments between the Funding and Accounting Basis Note G1.1 £'000	Net Expenditure in Group Comprehensive Income & Expenditure Statement (accounting basis) £'000
Finance & Legal	4,557	(1,273)	3,284	3,154	(1,722)	1,432
Economic Growth, Community Development &	282	2,424	2,706	(70)	2,613	2,543
Environmental Services	3,310	1,208	4,518	3,427	1,810	5,237
Policy, Governance & People Resources	3,082	905	3,987	4,426	2	4,428
Leisure & Tourism	280	105	385	352	252	604
Customer Experience & Innovation	1,945	367	2,312	1,890	306	2,196
Net Cost of Services	**13,456**	**3,736**	**17,192**	**13,179**	**3,261**	**16,440**
Other Operating Expenditure	2,198	117	2,315	2,024	(31)	1,993
Financing and Investment Income and Expenditure	0	881	881	0	(1,182)	(1,182)
Capital expenditure financed from GF balances	14	(14)	0	312	(312)	0
Taxation & non-ringfenced grants	(14,702)	(528)	(15,230)	(14,544)	(486)	(15,030)
Other Income and Expenditure	**(12,490)**	**456**	**(12,034)**	**(12,208)**	**(2,011)**	**(14,219)**
(Surplus) or Deficit on the General Fund	**966**	**4,192**	**5,158**	**971**	**1,250**	**2,221**
Opening General Fund Balance	(7,358)			8,725		
Impact of adopting new accounting standards	0			(396)		
Surplus or (Deficit) on General Fund in Year	966			(971)		
Closing General Fund Balance at 31 March	**(6,392)**			**7,358**		

G1.1 Adjustments between the Funding and Accounting Basis

2019/20	Reallocation of Other Income & Expenditure	Statutory Accounting Adjustments			Consolidation Adjustments[1]	Total
		Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other Differences		
	(Note 6.1 b) £000	(Note 6.1c) £000	(Note 6.1d) £000	(Note 6.1e) £000	£000	£000
Finance & Legal	(910)	(1,082)	715	4	0	(1,273)
Economic Growth, Community Development & Placemaking	1,517	675	216	16	0	2,424
Environmental Services	0	1,068	85	6	49	1,208
Policy, Governance & People Resources	0	751	149	5	0	905
Leisure & Tourism	0	52	29	0	24	105
Customer Experience & Innovation	0	65	297	5	0	367
Net Cost of Services	**607**	**1,529**	**1,491**	**36**	**73**	**3,736**
Other Operating Expenditure	0	187	0	0	(70)	117
Financing and Investment Income and Expenditure	(607)	688	812	(12)	0	881
Capital expenditure charged to General Fund Balances	0	(14)	0	0	0	(14)
Taxation & non-ringfenced grants	0	(346)	0	(182)	0	(528)
Other income and expenditure from Expenditure and Funding Analysis	**(607)**	**515**	**812**	**(194)**	**(70)**	**456**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**2,044**	**2,303**	**(158)**	**3**	**4,192**

[1] Consolidation of subsidiaries and joint ventures in accordance with accounting policies set out in section 6.

2018/19 – as restated	Reallocation of Other Income & Expenditure (Note 6.1 b) £'000	Statutory Accounting Adjustments: Adjustments for Capital Purposes (Note 6.1c) £'000	Net change for Pensions Adjustments (Note 6.1d) £'000	Other Differences (Note 6.1e) £'000	Consolidation Adjustments[1] £'000	Total £'000
Finance & Legal	(449)	(678)	(610)	15	0	(1,722)
Economic Growth, Community Development & Placemaking	1,747	686	179	1	0	2,613
Environmental Services	0	1,711	99	0	0	1,810
Policy, Governance & People Resources	0	(77)	86	(7)	0	2
Leisure & Tourism	0	154	24	1	73	252
Customer Experience & Innovation	0	28	277	1	0	306
Net Cost of Services	**1,298**	**1,824**	**55**	**11**	**73**	**3,261**
Other Operating Expenditure	0	(31)	0	0	0	(31)
Financing and Investment Income and Expenditure	(1,298)	(622)	734	4	0	(1,182)
Capital expenditure charged to General Fund Balances	0	(312)	0	0	0	(312)
Taxation & non-ringfenced grants	0	(208)	0	(278)	0	(486)
Other income and expenditure from Expenditure and Funding Analysis	**(1,298)**	**(1,173)**	**734**	**(274)**	**0**	**(2,011)**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**651**	**789**	**(263)**	**73**	**1,250**

[1] Consolidation of subsidiaries and joint ventures in accordance with accounting policies set out in section 6

G2. Expenditure and Income analysed by Nature

	2019/20 £'000	2018/19 £'000
Fees, charges & other service income	(8,495)	(8,635)
Interest & investment income (interest receivable)	264	(327)
Income and expenditure relating to investment properties	(1,502)	(1,864)
Income from council tax & business rates	(11,248)	(11,038)
Grants, contributions and donations	(24,287)	(25,988)
Change in fair value of investment properties	0	(604)
Total Income	**(45,268)**	**(48,456)**
Employee expenses	11,236	9,264
Other service expenses	32,282	35,115
Depreciation, amortisation, impairment and revaluation	1,923	2,692
Other amounts written-off non-current assets	551	0
Interest payments	828	834
Net interest on defined benefit pension liability	812	734
Precepts & levies	2,198	2,024
Impairment of financial assets (credit losses)	31	63
Gain or loss on disposal of non-current assets	42	(49)
Change in fair value of investment properties	523	0
Total operating expenses	**50,426**	**50,667**
(Surplus) or deficit on the provision of services	**5,158**	**2,221**

G3. Adjustments between Group Accounts and Authority Only Accounts

	2019/20 £'000	2018/19 £’000
Elimination of intra group transactions	52	123
Elimination of Authority’s share of gains/losses on disposal of non- current assets to joint venture	70	0
	122	**123**

G4. Group Reserves

Group reserves comprise the Authority's share of the reserves of subsidiaries, associates and joint ventures.

	31/3/20 £'000	31/3/19 £'000
Usable Reserves		
Usable Reserves – Authority only statements (note 16)	7,774	8,814
Designated Funds of Keswick Museum & Art Gallery	25	25
Designated Funds of Helena Thompson Museum	13	13
Allerdale Waste Services Limited – Profit & Loss reserve	(49)	-
Unrealised gains on disposal of non-current assets to joint venture	0	(70)
	7,763	**8,782**
Unusable Reserves		
Unusable Reserves – Authority Only Statements (note 17)	33,257	33,152
Designated Reserves of Keswick Museum & Art Gallery	1,109	1,109
Designated Reserves of Helena Thompson Museum	1,252	1,276
	35,618	**35,537**

G5. Property, Plant and Equipment

2019/20	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Cost or Valuation						
At 1 April 2019	48,846	4,825	16,973	2,137	880	73,661
Additions	66	78	55	0	88	287
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,073	0	0	0	0	1,073
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	223	0	0	0	0	223
Derecognition - disposals	(22)	0	0	(167)	0	(189)
Derecognition - other	0	0	0	0	(551)	(551)
Transfers	17	53	0	0	(53)	17
At 31 March 2020	**50,203**	**4,956**	**17,028**	**1,970**	**364**	**74,521**
Accumulated Depreciation and Impairment						
At 1 April 2019	(229)	(905)	(8,542)	0	0	(9,676)
Depreciation Charge	(1,005)	(528)	(599)	0	0	(2,132)
Depreciation written out to the Revaluation Reserve	742	0	0	0	0	742
Derecognition - disposals	2	0	0	0	0	2
Transfers	0	0	0	0	0	0
At 31 March 2020	**(490)**	**(1,433)**	**(9,141)**	**0**	**0**	**(11,064)**
Net Book Value at 31 March 2020	**49,713**	**3,523**	**7,887**	**1,970**	**364**	**63,457**
Net Book Value at 31 March 2019	**48,617**	**3,920**	**8,431**	**2,137**	**880**	**63,985**

Nature of asset holding						
Owned (Freehold)	**49,713**	**3,523**	**7,887**	**1,970**	**364**	**63,457**

2018/19	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Cost or Valuation						
At 1 April 2018	47,007	1,321	16,930	1,975	139	67,372
Additions	30	3,504	43	162	913	4,652
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,582	0	0	0	0	2,582
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(692)	0	0	0	0	(692)
Derecognition - disposals	(81)	0	0	0	0	(81)
Transfers	0	0	0	0	(172)	(172)
At 31 March 2019	**48,846**	**4,825**	**16,973**	**2,137**	**880**	**73,661**
Accumulated Depreciation and Impairment						
At 1 April 2018	(1,298)	(837)	(7,946)	0	0	(10,081)
Depreciation Charge	(1,308)	(68)	(596)	0	0	(1,972)
Depreciation written out to the Revaluation Reserve	2,362	0	0	0	0	2,362
Derecognition - disposals	15	0	0	0	0	15
Transfers	0	0	0	0	0	0
At 31 March 2019	**(229)**	**(905)**	**(8,542)**	**0**	**0**	**(9,676)**
Net Book Value at 31 March 2019	**48,617**	**3,920**	**8,431**	**2,137**	**880**	**63,985**
Net Book Value at 31 March 2018	**45,709**	**484**	**8,984**	**1,975**	**139**	**57,291**

Nature of asset holding						
Owned (Freehold)	**48,617**	**3,920**	**8,431**	**2,137**	**880**	**63,985**

G5.1 Revaluations

The Authority carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets required to be measured at current value are:

- revalued at intervals of not more than five years
- reported in the balance sheet at a carrying amount that does not differ materially from that which would be determined using the asset's current value at the balance sheet date.

Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations summarised in the following tables were undertaken by external valuers Wilks, Head & Eve (2020 and 2019), Walton Goodland (2016-2018) and NPS North West Limited (2015), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards (the 'Red Book').

Vehicles, plant, furniture and equipment that have short useful lives or low values (or both) are measured at depreciated historical cost as a proxy for fair value.

At 31 March 2020	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure Assets £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Carried at historical cost	0	4,956	17,028	1,970	364	24,318
Valued at current value at:						
31 March 2020	39,664	-	-	-	-	39,664
31 March 2019	7,383	-	-	-	-	7,383
31 March 2018	0	-	-	-	-	0
31 March 2017	3,156	-	-	-	-	3,156
31 March 2016	0	-	-	-	-	
Total Cost or Valuation	**50,203**	**4,956**	**17,028**	**1,970**	**364**	**74,521**

At 31 March 2019	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infra-structure Assets £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Carried at historical cost	0	4,825	16,973	2,137	880	24,815
Valued at current value at:						
31 March 2019	45,154	-	-	-	-	45,154
31 March 2018	0	-	-	-	-	0
31 March 2017	3,156	-	-	-	-	3,156
31 March 2016	0	-	-	-	-	0
31 March 2015	536	-	-	-	-	536
Total Cost or Valuation	**48,846**	**4,825**	**16,973**	**2,137**	**880**	**73,661**

G6. Heritage Assets

G6.1 Reconciliation of the carrying value of Heritage Assets held by the group:

2019/20	At cost	At Valuation		Tangible Heritage Assets	Intangible Heritage Assets	Total
	Historical Sites & Monuments £'000	Museum Collections £'000	Civic Regalia £'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2019	603	1,863	80	2,546	31	2,577
Additions – purchased	6	0	0	6	0	6
Additions – donated	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
At 31 March 2020	**609**	**1,863**	**80**	**2,552**	**31**	**2,583**
Accumulated depreciation & impairment						
At 1 April 2019	(64)	0	0	(64)	(31)	(95)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2020	**(71)**	**0**	**0**	**(71)**	**(31)**	**(102)**
Net book value at 31 March 2020	**538**	**1,863**	**80**	**2,481**	**0**	**2,481**
Nature of asset holding						
Owned (Freehold)	538	1,863	80	2,481	0	2,481

2018/19	At cost	At Valuation		Tangible Heritage Assets	Intangible Heritage Assets	Total
	Historical Sites & Monuments £'000	Museum Collections £'000	Civic Regalia £'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	590	1,863	80	2,533	31	2,564
Additions – purchased	13	0	0	13	0	13
Additions – donated	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
At 31 March 2019	**603**	**1,863**	**80**	**2,546**	**31**	**2,577**
Accumulated depreciation & impairment						
At 1 April 2018	(57)	0	0	(57)	(31)	(88)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2019	**(64)**	**0**	**0**	**(64)**	**(31)**	**(95)**
Net book value at 31 March 2019	**539**	**1,863**	**80**	**2,482**	**0**	**2,482**
Nature of asset holding						
Owned (Freehold)	539	1,863	80	2,482	0	2,482

G6.2 Description of the Council's Collection of Heritage Assets

In addition to the museum collections included in the Authority only accounts, heritage assets reported in the Group Accounts include the collections held at the Keswick Museum and Art Gallery and Helena Thompson Museum. These include collections of fine and decorative art, antique furniture, clocks and collectables, documents, maps and literary material primarily associated with the Lakes poets and writers, as well as various social and natural history, geological and archaeological collections. The Keswick Museum collections are managed on behalf of the Authority by Keswick Museum and Art Gallery Management Limited (registered charity number 1156330). The Helena Thompson collection is managed by the Workington Heritage Group Limited (registered charity number 1127084).

Museum collections are reported in the Group Balance Sheet at an insurance valuation based on open market replacement cost for items of a comparable nature, age and condition. The latest full valuation was undertaken in March 2017 by external valuers - Mitchells Antiques & Fine Art Auctioneers and Valuers. Values were assigned to all individual items within the collection with an expected replacement cost in excess of £1,000 that were on display, or accessible in store at the time of the re-valuation. Items with an expected replacement cost of less than £1,000 were reappraised by reference to previous inventories and valuations, accession books, MODES records and information provided by museum staff. These items are categorised by the valuer as 'Unspecified Accessions'. Valuations are reviewed and updated annually to ensure that they remain current.

The collections included in the group balance sheet can be summarised as follows:

Description	31/3/20 £000	31/3/19 £000
Fine Art/Decorative Art	400	400
Antique furniture, clocks and collectables including ceramics and glass	194	194
Silver and Plate	83	83
Social History	448	448
Literature	210	210
Miscellaneous Artefacts	104	104
Unspecified Accessions	424	424
Total	**1,863**	**1,863**

G7. Short-term Debtors

	31/03/20 £'000	31/03/19 £'000
Trade receivables	2,572	2,654
Council tax receivable	518	469
NNDR receivable	229	224
Housing benefit overpayments	1,108	1,309
Other taxation and social security	283	1,026
Other receivables	2,485	1,398
	7,195	7,080
Allowance for credit losses:		
- Trade receivables	(97)	(82)
- Council Tax	(214)	(210)
- NNDR	(117)	(100)
- Housing Benefit Overpayments	(749)	(882)
	(1,177)	(1,274)
	6,018	**5,806**

G8. Cash and Cash Equivalents

	31/03/20 £'000	31/03/19 £'000
Cash in hand	21	50
Bank current accounts	160	0
Call accounts (same day access funds)	2,889	743
Money Market Funds	5,860	5,293
Other bank deposits	250	287
Cash and Cash Equivalents (balance sheet)	**9,180**	**6,373**
Bank Overdraft	(1,572)	(1,959)
Cash and Cash Equivalents (cash flow statement)	**7,608**	**4,414**

G9. Short-term Creditors

	31/03/20 £'000	31/03/19 £'000
Trade Payables	(1,779)	(2,005)
Other Payables	(3,793)	(5,215)
Other Taxation and Social Security	(163)	(159)
Unpaid Holiday Pay	(143)	(107)
	(5,878)	**(7,486)**

G10. External Borrowing

	31/03/20 £'000	31/03/19 £'000
Short-term Borrowing		
Public Works Loan Board (inc. accrued interest)	(889)	(520)
Local Bonds	(31)	(31)
Trust Funds	(42)	(42)
	(962)	**(593)**
Long-term Borrowing		
Public Works Loan Board	(16,563)	(14,747)
	(17,525)	**(15,340)**

Analysis of loans by maturity:

Amounts repayable	31/03/20 £'000	31/03/19 £'000
Within 1 year	(962)	(593)
Between 1 & 2 years	(692)	(327)
Between 2 & 5 years	(2,131)	(1,031)
Between 5 & 10 years	(2,668)	(1,934)
After more than 10 years	(11,072)	(11,455)
	(17,525)	**(15,340)**

G11. Cash Flow Statement – Operating Activities

Reconciliation of Net Surplus or (Deficit) on the Provision of Services to the Net Cash Flow from operating activities

	2019/20 £'000	2018/19 £'000
Net Surplus or (Deficit) on the Provision of Services	(5,158)	(2,221)
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	2,139	1,977
Amortisation	7	13
Impairment and downward valuations	(224)	703
Increase/(Decrease) in Interest Creditors	2	6
Increase/(Decrease) in Creditors	1,824	(385)
(Increase)/Decrease in Interest and Dividend Debtors	(211)	(206)
(Increase)/Decrease in Debtors	(135)	(101)
(Increase)/Decrease in Inventories	(60)	8
Movement in Pension Liability	3,168	1,671
Contributions to/(from) Provisions	458	215
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	764	596
Movement in investment property values	523	(604)
Other non-cash movements	505	137
	8,760	**4,030**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from short-term investments, long-term investments & long-term debtors	0	(63)
Capital Grants credited to surplus or deficit on the provision of services	(346)	(208)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(100)	(644)
	(446)	**(915)**
Net Cash Flows from Operating Activities	**3,156**	**894**

G12. Cash Flows from Investing Activities

	2019/20 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(2,582)	(4,127)
Other payments for investing activities	(250)	(305)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	100	644
Proceeds from sale of long- term investments (loan principal repaid)	0	204
Other capital cash receipts	0	126
Capital Grants received	321	889
Total Cash Flows from Investing Activities	**(2,411)**	**(2,569)**

G13. Interests in subsidiaries

Entities accounted for as subsidiaries comprise the Authority's interests in Allerdale Waste Services Limited, Keswick Museum and Art Gallery and Helena Thompson Museum.

Allerdale Waste Services Limited

The Authority is the sole shareholder and parent body of Allerdale Waste Services Limited. Incorporated in the United Kingdom on 19 November 2019, the company provides household waste and recycling collections and trade waste services to the Authority. It began operating on April 4, 2020.

Keswick Museum and Art Gallery

The Authority is the sole trustee and parent body of Keswick Museum and Art Gallery, an unincorporated charitable trust established under a charity scheme dated 11 January 1995. The objects of the Trust are to provide and maintain a public museum to advance education. Under the scheme, property of the trust (comprising the museum building situated at Station Road, Keswick and the museum's collections and exhibits) is vested in Allerdale Borough Council (as sole trustee). The Trust does not maintain its own bank account and each year the Authority subsidises the Trust to the extent of the excess of its expenditure over its income.

Further information, including summarised financial information, is set out in note 41 to the Authority Only Accounts.

Income and property of the trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objects of the trust. Income of the Trust may only be applied for the purposes set out in the sealed charity scheme dated 11 January 1995 including meeting:

- the costs of maintaining the property of the museum (including the repair and insurance of any buildings thereon)
- all other charges and outgoings payable in respect of the museum
- costs, charges and expenses of, and incidental to, the administration and management of the museum.

The Authority is not permitted to apply income of the charity directly in relief of rates, taxes or other public funds.

Helena Thompson Museum

The Authority is also the sole trustee and parent body of the Helena Thompson Museum Trust, an unincorporated charitable trust established under the will of the late Helena Agnes Mary Thompson. The objects of the Trust are to provide and maintain a public museum.

Property of the Trust (comprising the museum buildings and grounds and the museum's collections and exhibits) is vested in Allerdale Borough Council (as sole trustee) and held on charitable trust for use as a museum in accordance with the provisions of the will.

Each year the Authority subsidises the Trust to the extent of the excess of its expenditure over its income. The Trust holds no general unrestricted funds and all transactions of the Trust are recorded in the Authority's accounting records. The Trust does not maintain its own bank account.

Income and property of the Trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objects of the trust.

Further information including summarised financial information is set out in note 41 to the Authority Only Accounts.

G14. Interests in joint arrangements and associates

The Authority has a 50% interest in Allerdale Investment Partnership LLP a joint venture partnership with Allerdale Partnership PCC Limited. The joint venture was established to enhance the value of the Authority's surplus land and stimulate economic growth across the Borough. Allerdale Investment Partnership LLP was incorporated in the United Kingdom on 7 April 2014.

In the group accounts the Authority's interest in Allerdale Investment Partnership LLP is accounted for as a joint venture using the equity method.

Summarised financial information about the joint venture, based on its IFRS financial statements and a reconciliation of this information to the carrying amount of the investment in the group accounts are set out below:

	31/03/20 £000	31/03/19 £000
Non-current assets	10	0
Current assets[1]	2,172	2,559
Current liabilities[2]	(111)	(163)
Non-current liabilities[3]	(3,654)	(3,263)
Net Assets	(1,583)	(867)
Included in the above amounts are:		
[1] Current assets - Cash and cash equivalents	151	294
[2] Current financial liabilities (excluding trade & other payables and provisions)	0	0
[3] Non-current financial liabilities (excluding trade payables and other payables and provisions) - long term borrowing	(3,654)	(3,263)

	2019/20 £000	2018/19 £000
Revenue	300	450
Profit or (loss) from continuing operations[1]	(716)	(252)
Post tax profit or (loss) from discontinued operations	0	0
Other comprehensive income for the year	0	0
Total comprehensive income for the year	(716)	(252)
[1]Included in the above amounts are:		
Depreciation and amortisation	0	0
Interest income	0	0
Interest expense	(393)	(389)
Gain arising on modification of the terms of members loans	0	0
Corporation tax expense (income)	0	0
Authority's (& Group's) share of profit/(loss) for the year	(358)	(126)
Dividends received by group from joint venture	0	0

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the group accounts

	31/03/20 £000	31/03/19 £000
Net assets (liabilities) of the joint venture	(1,583)	(867)
Proportion of the Authority's ownership interest in the joint venture	50%	50%
Goodwill	0	0
Authority's share of net assets/(liabilities)	(792)	(434)
Elimination of unrealised profits on downstream transactions	0	(70)
	(792)	(504)
Deferred credit balance relating to unrealised profits on downstream transactions	0	70
Unrecognised share of losses of a joint venture or associate	792	434
Carrying amount of the Authority's interest in the joint venture	0	0

G14.1 Unrecognised share of losses of a joint venture

Under the equity method, when the Authority's share of losses of an associate or joint venture exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Authority's net investment in the associate or joint venture), it discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Authority has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

	2019/20 £000	2018/19 £000
Unrecognised share of losses (gains) of joint venture - Allerdale Investment Partnership LLP - for the year	358	126

	31/03/20 £000	31/03/19 £000
Cumulative unrecognised share of losses of joint venture - Allerdale Investment Partnership LLP	792	434

Profits in Allerdale Investment Partnership LLP cannot be distributed without the consent of the two venture partners.

At 31 March 2020 there were no contingent liabilities or capital commitments related to the group's investment in the joint venture. (31 March 2019: Nil).

Accounting policies applied to the single entity (authority only) & group financial statements

1. 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
- Supplies are recorded as expenditure when they are consumed; when there is a delay 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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. Where circumstances indicate that debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments received from service recipients exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the balance sheet under contract and other liabilities.

2. 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 short-term, highly liquid investments, with maturities of three months or less (from the date of acquisition), that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes of value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

3. 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 a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior periods as if the new policy had always been applied.

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

4. Charges to Revenue for Non-Current Assets

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

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

Depreciation, revaluation or impairment losses or amortisation charged to the Surplus or Deficit on the Provision of Services, are not proper charges to the General Fund. Such amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Authority is however required to make an annual contribution, from revenue, towards the reduction in its overall capital borrowing requirement (capital financing requirement). This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

The Minimum Revenue Provision does not appear in the Comprehensive Income and Expenditure Statement but is instead charged to the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

5. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including central government for NDR) and as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

Council Tax and Non-Domestic Rates (NDR) income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included 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 included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund.

6. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense in the year in which employees render service to the Authority.

An accrual is made for the cost of leave entitlement (or any form of paid absence leave, for example time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences account so that the cost of paid absences is charged to the General Fund in the financial year in which the employee takes their entitlement or the Authority makes a cash settlement.

Termination Benefits

Termination benefits are amounts payable as a result of either:

(i) the Authority's decision to terminate an employee's employment before the normal retirement date, or

(ii) an employee's decision to accept an offer of benefits in exchange for the termination of employment (for example an officer's decision to accept voluntary redundancy).

Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of the Cumbria Local Government Pension Scheme administered by Cumbria County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority. The scheme is accounted for as a defined benefit scheme.

The liabilities of the Cumbria Local Government Pension Scheme attributable to the Authority 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 demographic assumptions such as mortality rates and employee turnover rates and financial assumptions such as projections of future earnings for current employees. Actuarial valuations are carried out at the end of each annual reporting period.

Liabilities are discounted to their value at current prices, using a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The assets of the Cumbria Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property - fair value in accordance with the Royal Institute of Chartered Surveyors' Valuation - Professional Standards.

The change in the net pension liability is analysed into the following defined benefit cost components:

- current service cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period
- past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan)
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. The net interest expense is calculated by multiplying the net defined benefit liability (asset) at the beginning of the reporting period, by the discount rate used to measure the defined benefit obligation determined at the start of the reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Interest cost on the current service cost is included in the current service cost component.
- remeasurements comprising:
  - 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, and
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)

Current service costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service costs are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Finance and Legal portfolio.

The net interest expense (or income) is included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Employers contributions paid to the Cumbria Local Government Pensions Scheme in settlement of liabilities are 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 Authority to the pension fund or directly to pensioners in the reporting period, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that transfers to and from the Pensions Reserve are required to remove the amounts charged or credited to the Surplus or Deficit on the Provision of Services under the Code and replace them with a charge equal to the cash paid to the pension fund and pensioners during the year 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 retirement benefits payments and contributions payable to the Cumbria Local Government Pension Scheme for the reporting period in accordance with the statutory requirements governing the scheme, rather than as benefits earned by employees.

Discretionary Benefits

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

7. Events after the Reporting Period

Events after the Balance Sheet date 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:

(i) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); the Statement of Accounts is adjusted to reflect such events

(ii) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period); the Statement of Accounts is not adjusted to reflect such events, but where a non-adjusting event is material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

8. Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument.

A financial asset (or where applicable part of a financial asset) is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. A financial liability is also derecognised where a liability with an existing lender is exchanged for another with substantially different terms or the terms of an existing liability are substantially modified.

Financial assets and financial liabilities are initially measured at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and transaction costs expensed. Immaterial transaction costs on initial recognition are written off immediately to Surplus or Deficit on the Provision of services. Trade receivables that do not contain a significant financing component and are initially measured at their transaction price (as defined in IFRS 15).

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement financial assets are classified on initial recognition into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Classification is determined by (i) the business model for managing the financial asset and (ii) the assets contractual cash flow characteristics.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest (EIR) method and are subject to impairment.

Discounting is omitted where the effect of discounting is immaterial. The amortised cost is reduced by impairment losses.

Interest income calculated using the effective interest method, impairment losses and any gain or loss arising on derecognition or modification are included in the Financing and Investment Income and Expenditure (FIIE) line in the Comprehensive Income and Expenditure Statement (CIES).

For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

Financial assets at amortised cost include trade receivables, call and notice accounts and other non-current financial assets

Modification of the terms of a financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash discounted at the financial asset’s original effective interest rate. A modification gain or loss is recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial assets measured at fair value through other comprehensive income (FVOCI) - debt instruments

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, and impairment gains and losses (determined in the same manner as for financial assets measured at amortised cost) are recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Other gains and losses are recognised in other comprehensive income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition the cumulative gain or loss previously recognised in OCI is reclassified from reserves to Surplus or Deficit on the Provision of Services.

Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments

On initial recognition an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument, (that is not held for trading and is not contingent consideration of an acquirer in a business combination), in other comprehensive income. The election is made on an instrument by instrument basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established unless the dividend clearly represents a recovery of part of the cost of the investment. Other fair value gains and losses are recognised in other comprehensive income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is not reclassified from reserves to Surplus or Deficit on the Provision of Services.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Authority has not elected to classify irrevocably, its non-listed equity investments under this category.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured as FVTPL. Financial assets at fair value through profit or loss include:

- investments in equity instruments, unless designated as at FVOCI
- financial assets held within a business model other than ‘hold to collect’ or ‘hold to collect and sell’
- financial assets whose contractual cash flows that are not solely payments of principal and interest, irrespective of the business model

Financial assets at fair value through profit or loss are subsequently measured at fair value with net gains or losses, including any interest or dividend income, recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES).

This category includes equity investments which the Authority has not irrevocably elected to classify at fair value through other comprehensive income, money market funds and debt instruments that do not meet the SPPI criterion.

Dividends on equity investments are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established.

Movements in the fair value of equity investments that meet the definition of capital expenditure under statute are not proper charges to the General Fund. Any gains or losses in fair value included in the Comprehensive Income and Expenditure Statement in respect of these investments are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment of financial assets (expected credit loss model)

The Authority recognises an allowance for expected credited losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Authority applies a simplified approach and always recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, impairments are recognised in three stages to reflect changes in credit risk since initial recognition:

- Stage 1 (Performing) - financial assets that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk at the reporting date
- Stage 2 (Underperforming) - financial assets that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of a credit loss event
- Stage 3 (Non-performing/credit impaired) - financial assets that have objective evidence of impairment at the reporting date.

For financial instruments at stage 1, the loss allowance is measured at an amount equal to the 12-month expected credit losses and interest income calculated on the gross carrying amount of the asset (i.e. without reduction for expected credit losses).

For financial instruments at stages 2 and 3, the loss allowance is measured at an amount equal to life-time expected credit losses. For financial instruments at stage 2, interest income is calculated on the assets gross carrying amount. For those at stage 3, interest income is calculated on the assets net carrying amount (i.e. reduced for expected credit losses).

12-month ECLs are the portion of the lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

For debt instruments considered to have a low credit risk at the reporting date, the Authority measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Authority considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. Financial instruments to which this practical expedient applies includes debt instruments classified as cash and cash equivalents.

For purchased or originated credit-impaired financial assets, only the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Authority considers all reasonable and supportable information (quantitative and qualitative) that is relevant and available without undue cost or effort. This includes historical experience, informed credit assessment and forward-looking information.

The Authority assumes there has been a significant increase in credit risk when contractual payments are more than 30 days past due, unless the Authority has reasonable and supportable information that demonstrates otherwise.

The Authority considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor
- contractual payments are more than 90 days past due (unless the Authority has reasonable and supportable information that demonstrates otherwise)
- internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the Balance Sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Surplus or Deficit on the Provision of Services and is recognised in Other Comprehensive Income and Expenditure. The loss allowance does not reduce the carrying amount of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off (in full or in part) when there is no reasonable expectation of recovering the contractual cash flows e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets written off may still be subject to recovery activities. Any recoveries made subsequent to being written off are recognised in the Surplus or Deficit on the Provision of Services.

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Expected Credit Losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Debtors in respect of local taxation and other non-contractual debts are excluded from the scope of IFRS 9.The write-off of uncollectable debts and allowance for impairment of doubtful debts for such items follow the incurred loss model for impairment.

Under the Incurred Loss Model, individually significant local taxation and other non-contractual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually significant or which are not considered to be individually impaired are reviewed collectively for impairment in groups, determined by reference to shared credit risk characteristics.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made:

- the carrying amount of the financial asset is reduced by the impairment loss (measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate) and a charge made to the Comprehensive Income and Expenditure Statement
- interest income over the remaining term of the instrument is recognised by applying the original effective interest rate to the revised balance.

An allowance account is used to reduce the carrying amount of non-contractual receivables considered to be impaired (or in the case of a reversal of a write-down, an increase). Non-contractual receivables considered uncollectible are written off against the allowance account. Any difference between the amount written off and the impairment loss previously included in the allowance account is recognised in the Comprehensive Income and Expenditure Statement.

Subsequent reversals of a write-down or recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

Classification and measurement

The Authority's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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

For most of the Authority's borrowings this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement, the amount payable for the year according to the loan agreement.

On derecognition of a financial liability the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in Surplus or Deficit on the Provision of Services.

Modifications or exchanges of financial liabilities that do not result in derecognition

Where the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not ‘substantial’, the loan debt or financial liability is not accounted for as an extinguishment. If an exchange or modification does not result in an extinguishment:

- the difference between the carrying amount of the liability before the modification or exchange and the present value of the cash flows after modification (discounted at the original EIR) is recognised in the Comprehensive Income and Expenditure Statement as a gain/loss on modification
- any costs or fees paid or received adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Where premiums and discounts arising from the early repayment of loans have been charged to the Comprehensive Income and Expenditure Statement (rather than being accounted for as an adjustment to the carrying amount of the financial liability), regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amount charged or credited to the General Fund and the amount charged or credited to the Comprehensive Income and Expenditure Statement is reconciled by a transfer to the Financial Instruments Adjustment Account (FIAA) within the Movement in Reserves Statement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are recognised as a liability at the time the guarantee is issued. The liability is measured initially at fair value and subsequently, at the higher of:

- the amount of the impairment loss allowance determined in accordance with IFRS 9 *Financial Instruments*, and
- the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with the revenue recognition principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

For a financial guarantee contract the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Authority expects to receive from the holder, the debtor or any other party.

Financial guarantees entered into before 1 April 2006

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are instead reflected in the Statement of Accounts only to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

9. 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 Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grant or contribution will be received.

Amounts recognised as due to the Authority 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be 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. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

10. Heritage Assets

Recognition

Tangible heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible Heritage Assets are those assets with cultural, environmental, or historical significance. Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the authority for other activities or to provide other services) are accounted for as operational assets, and valued in the same way as other assets of that type (for example property, plant and equipment – see section 17)

The Authority's heritage assets consist of:

- historical sites
- monuments and statues
- nature reserves
- civic regalia
- museum collections.

Measurement

Heritage assets are recognised on the Authority's Balance Sheet where it has information on cost or value. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised.

Acquisitions of heritage assets are initially recognised at cost or if bequeathed or donated, at fair value as at the date of acquisition.

Subsequent to initial recognition, heritage assets are measured at valuation using a method of valuation that is relevant and appropriate (for example insurance valuations). Where it is not practicable to obtain a valuation (at a cost which is commensurate with the benefits to users of the financial statements), and cost information is available, the assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Heritage assets recognised on the Authority's Balance Sheet are measured using the following bases:

- historical sites, monuments and statues, nature reserves - historical cost (less any accumulated depreciation, amortisation and impairment losses)
- civic regalia - current replacement cost
- collections - insurance values based on open market replacement cost for items of a comparable nature, age and condition
- Intangible heritage assets - historical cost (less any accumulated depreciation, amortisation and impairment losses).

Information on cost or value is not available for historical sites, monuments and nature reserves. Accordingly, except for expenditure incurred on the acquisition, creation or enhancement of these assets on or after 1 April 2010, these assets are not reported as assets in the balance sheet.

Revaluation Gains and Losses

Where heritage assets are measured at valuation, there is no prescribed minimum period between valuations. The carrying amount is however reviewed with sufficient frequency to ensure that valuations remain current.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services.

Where the carrying amount of a heritage asset is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Preservation Costs

Expenditure which, in the Authority's view, is required to preserve or clearly prevent further deterioration of individual collection items, is recognised in the Surplus or Deficit on the Provision of Services when it is incurred.

Depreciation and Amortisation

The majority of the Authority's tangible heritage assets have indefinite lives and therefore the Authority does not consider it appropriate to charge depreciation. Where a useful life can be identified, straight line depreciation is applied.

Amortisation is provided for in relation to the Authority's intangible heritage assets by allocating the value of the asset in the balance sheet to the period expected to benefit from its use.

Impairment

The values of heritage assets are reviewed at the end of each financial year for evidence of impairment; for example where an item has suffered physical deterioration or breakage or where doubt arises over its authenticity. Impairment losses are accounted for in accordance with the recognition and measurement requirements set out in sections 17- Property, Plant and Equipment and 11- Intangible Assets.

11. Intangible Assets

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

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

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment where there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12. Interests in Companies and Other Entities

In the Authority's single-entity accounts, interests in companies and other entities that meet the definition of a subsidiary, associate or jointly controlled entity, and are not classified as held for sale, are recorded at cost, less any provision for losses.

13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14. Investment Property

Investment properties are those properties that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used 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. The fair value of investment property held under a lease is the lease interest. As a non-financial asset, investment properties are measured at highest and best use.

Investment properties are not depreciated but are revalued annually according to market conditions at the balance sheet date.

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.

Under statutory accounting arrangements, gains or losses resulting from the revaluation or disposal of investment property are not proper charges to the General Fund. Such amounts 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

15. 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 asset from the lessor to 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.

(i) The Authority as lessee

Finance Leases

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease’s inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- the amount applied to write down the lease liability, and
- the finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets 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 (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Depreciation, revaluation or impairment losses on leased assets charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Authority is however required to make an annual contribution, from revenue, towards to meet the deemed capital cost of expenditure funded by credit arrangements such as on-balance sheet leasing arrangements. This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

The Minimum Revenue Provision does not appear in the Comprehensive Income and Expenditure Statement but is instead charged to the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased asset. Charges are made on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Authority.

(ii) The Authority as lessor

Finance Leases

Where the Authority 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 is written off to the Other Operating Expenditure line (PPE or Assets held for Sale) or Financing and Investment Income and Expenditure line (Investment Property) in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, 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 receivable (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- repayment of principal - applied to write down the lease debtor (together with any premiums received), and
- finance income - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Finance income is calculated so as to produce a constant periodic rate of return on the net investment.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is 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 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 and a corresponding transfer made to transfer the deferred capital receipt to the Capital Receipts Reserve.

The carrying amount of an asset (or component of an asset), written off to the Comprehensive Income and Expenditure Statement on disposal, is not a proper charge to the General Fund as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. 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.

17. Property, Plant and Equipment (PPE)

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 Authority 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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure 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, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets - the current value measurement base is 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 (DRC) is used as an estimate of current value.

Non-property assets that have short useful lives or low values (or both) are measured on a depreciated historical cost basis as a proxy for current value.

Assets measured at current value are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from their current value at the balance sheet date, but as a minimum every five years. Increases in valuations, other than those that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Revaluation gains that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are credited to the Surplus or Deficit on the Provision of Services to the extent required to reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

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 an impairment loss is identified on an asset carried at a revalued amount, the impairment loss is recognised in the Revaluation Reserve, up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement. An impairment loss on an asset with a carrying value based on historical cost is recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss, previously recognised in Surplus or Deficit on the Provision of Services, is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount required to reinstate the assets carrying amount (net of depreciation) had no impairment loss been recognised in prior years. Any increase in the assets carrying value above this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

Impairment losses and reversal of impairment losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain

Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on the following bases:

Asset class	Depreciation method	Useful life
Operational Buildings	straight-line	4-50 years
Infrastructure Assets	straight-line	15-70 years
Operational Vehicles & plant	straight-line	3-20 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, each component is 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.

Depreciation charged to Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

18. Disposals of PPE and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (PPE) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification (except where the asset is normally measured at depreciated historical cost) 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset (or component of an asset) is disposed of or decommissioned, the carrying amount of the asset (or component of an asset) in the Balance Sheet (whether PPE or 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. Where it is not practicable to determine the carrying of a replaced or restored component of an asset, the Authority uses the cost of the replacement component to estimate the cost of the replaced component at the time it was acquired or constructed (adjusted for depreciation and impairment if required). Receipts from disposals (if any) are credited to the same line 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 and can only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Capital receipts arising from disposals are therefore appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

The carrying amount of an asset (or component of an asset) written off to the Comprehensive Income and Expenditure Statement on disposal is not a proper charge to the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

19. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the conditions for recognition are met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), 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 if it is virtually certain that reimbursements will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of economic benefits or service potential 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.

Contingent Assets

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

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

20. Reserves

The Authority sets aside specific amounts as earmarked reserves to meet future spending commitments or to cover contingencies. Earmarked Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made from the earmarked reserve to the Un-earmarked General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and employee benefits. These reserves do not represent usable resources for the Authority.

21. Revenue Expenditure Funded from Capital under Statute

Expenditure required to be treated as capital expenditure under statutory provisions, but which does not result in the creation of non-current assets, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Authority has determined to meet the cost of this expenditure from capital resources or by borrowing, the amount charged to services is reversed out by way of a transfer from the General Fund balance to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

22. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

23. Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as equity shareholdings 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 under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of a non-financial asset 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 price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

The fair value measurement of financial liabilities assumes that a financial or non-financial liability is transferred to a market participant at the measurement date. The transfer assumes that the liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

The Authority uses valuation techniques to measure fair value that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities where fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the lowest level input to valuation techniques that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.

For the purpose of fair value disclosures, the Authority has determined appropriate classes of assets and liabilities on the basis of (a) the nature, characteristics and risks of the asset or liability; and (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Additional accounting policies relevant to the preparation of the Group Accounts

24. Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership controlled by the Authority. The Authority controls an entity when it has:

- power over the investee i.e. existing rights that give it the current ability to direct the relevant activities of the investee
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

The Authority re-assesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above.

Where the Authority holds more than half of the voting rights of another entity, the Authority has power over that entity where:

- the relevant activities of the entity are directed by a vote of the holder of the majority of the voting rights; or
- the majority of the members of the governing body that directs the relevant activities are appointed by a vote of the holder of the majority of the voting rights,

unless the voting rights held are not substantive or do not otherwise provide the Authority with the current ability to direct the relevant activities of the entity.

Where the Authority holds less than the majority of the voting rights of an entity, the Authority considers all relevant facts and circumstances in assessing whether or not voting rights in an investee are sufficient to give it power, including:

- the size of the Authority's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- contractual arrangements between the Authority and other vote holders
- potential voting rights held by the Authority that are substantive
- rights arising from other contractual arrangements
- any additional facts and circumstances that indicate that the Authority has, or does not have the current ability to direct the relevant activities of the investee.

Within the Group Accounts, like items of assets, liabilities, reserves, income, expenses and cash flows of the Authority are aggregated, on a line by line basis, with those of its subsidiaries and the carrying amount of the Authority's investment in each subsidiary eliminated against the Authority's share of the reserves of each subsidiary. On consolidation, intra-group balances and transactions and any unrealised gains and losses on transactions between group entities, are eliminated in full.

The surplus or deficit on the provision of services and each component of other comprehensive income and expenditure, are attributed to the Authority and to the minority interests (non-controlling interest) - even if this results in the minority interests having a deficit balance. The amounts attributed are determined on the basis of the relative ownership interests in the entity of the Authority and the minority interest, unless there are contractual arrangements that determine the attribution of earnings. Minority interests are presented separately in the group balance sheet in (unusable) reserves.

Consolidation of a subsidiary begins when the Authority obtains control over the subsidiary and ceases when the Authority loses control of the subsidiary. Income and expenditure of a subsidiary acquired or disposed of during the year are included in the group accounts from the date the Authority gains control or until the date the Authority ceases to control the subsidiary, as appropriate. Income and expenses of a subsidiary are based on the values of the assets and liabilities recognised in the group accounts at the date of acquisition.

25. Interests in associates and joint ventures

An associate is an entity over which the Authority (or other group entity) has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in associates and joint ventures are accounted for (in the group accounts) using the equity method of accounting except when the investment, or a portion thereof, meets the criteria to be classified as held for sale, in which case it is accounted for in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations and section 4.9 of the Code.

Under the equity method, an investment in an associate or a joint venture is initially recognised (in the group balance sheet) at cost. The carrying amount of the investment is adjusted thereafter to recognise changes in the Authority’s share of net assets of the associate or joint venture since the acquisition date. Distributions received from an investee reduce the carrying amount of the investment.

When the Authority’s share of losses of an associate or a joint venture exceeds its interest in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Authority’s net investment in the associate or joint venture) the Authority discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Authority resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the requirements of IAS 39 and chapter seven of the Code are used to determine whether any additional impairment loss is recognised with respect to the Authority’s net investment in the associate or joint venture and other interests that do not form part of the net investment in the associate or joint venture.

The Group Comprehensive Income and Expenditure Statement reflects the Authority’s share of the operating results and other comprehensive income and expenditure of the associate or joint venture. Unrealised gains and losses resulting from transactions between the Authority (or other group entity) and the associate or joint venture, are eliminated to the extent of the Authority’s interest in the associate or joint venture. Where necessary, adjustments are made to the financial statements of associates and joint ventures subsidiaries in preparing the Group Accounts to ensure conformity with the accounting policies used in the Authority’s single entity financial statements.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of an investment in an associate or joint venture, any excess of the cost of the investment over the Authority's share of the net fair value of the identifiable assets and liabilities, is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Authority's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognised in the surplus or deficit on the provision of services.

Use of the equity method is discontinued from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. If the investment becomes a subsidiary, it is accounted for as a business combination. If the retained interest in the former associate or joint venture is a financial asset, the Authority measures the retained interest at fair value at that date. The fair value of the retained interest is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39 and chapter 7 of the Code. The difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the former associate or joint venture.

When the Authority discontinues the use of the equity method, all amounts previously recognised in other comprehensive income and expenditure in relation to that investment are accounted for on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, where amounts previously recognised as other comprehensive income and expenditure in relation to the associate or joint venture would be reclassified to the surplus or deficit on the provision of services on disposal of the related assets or liabilities, the Authority reclassifies the gain or loss from reserves to the surplus or deficit on the provision of services.

The Authority continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. The investment is not remeasured.

Annual Governance Statement

1. Introduction - Scope of Responsibility

1.1 Allerdale Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 The Council has approved and adopted a local code of corporate governance, consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. This local code is subject to regular review and updating.

1.3 The 2016 CIPFA/SOLACE Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for;
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

1.4 The 2016 Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs and facilitate the effective exercise of their functions, which includes arrangements for the management of risk.

1.5 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an annual governance statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The following section summarises the key elements of the Council's governance arrangements in place during the year ended 31 March 2020 and up to the date of approval of the financial statements.

3. Key Elements of Allerdale Borough Council's Governance Framework

3.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements, including:

Council, Leader & Executive Committee

- Provide leadership, develop and set policy
- Develop and set policy to achieve the priorities identified in the Council Plan
- Support Allerdale's towns and communities to thrive and succeed

Senior Management Team & Statutory Officers

- The Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective senior management team
- The Council's Section 151 Officer is the Head of Financial Services and is responsible for ensuring proper administration of the Council's financial affairs
- The Monitoring Officer is the Head of Governance and is responsible for ensuring legality and promoting high standards of public conduct

Decision-Making

- Constitution, Scheme of Delegation and decision-making process reviewed regularly
- All meetings held in public
- Decisions are recorded on the Council's website

Risk Management

- Risk registers identify both operational and strategic risk
- Key risks are considered by the senior management team and Audit Committee every quarter

Scrutiny & Audit

- Overview & Scrutiny Committee reviews Council policy and can challenge decisions
- Audit Committee reviews governance, costs vs budget and delivery of agreed Internal Audit plans

4. How we comply with the 2016 CIPFA Framework 'Delivering Good Governance in Local Government'

4.1 Allerdale Borough Council has approved and adopted a Local Code of Corporate Governance, the requirements of the 2016 Framework and a number of specific strategies and processes for strengthening corporate governance.

4.2 The Council structures its approach to compliance around the seven principles set out in the 2016 Framework.

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

4.3 The Monitoring Officer works with the Constitution Review Group to conduct regular reviews of the Council's Constitution, including the decision-making framework and delegation arrangements, and makes recommendations for changes where appropriate.

4.4 The Council has a Code of Conduct for elected and co-opted Members, a Code of Conduct for employees and a Local Code of Corporate Governance that provides guidance for officers and members on expected standards of behaviours to ensure integrity.

4.5 Members receive annual training on standards arrangements, declarations of interests and the Code of Conduct as part of the Authority's discharge of its statutory duty to promote and maintain high standards of conduct by its members. The Code of Conduct focuses upon the Nolan principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. It sets an objective, non-political and high standard whose purpose is to remind members of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct is measured.

4.6 The Monitoring Officer works closely with the Standards Committee and Independent Person on any complaints regarding the potential breach of the Code of Conduct by members. Complaints are handled in accordance with the Authority's arrangements for dealing with standards allegations under the Localism Act 2011 and the outcome of such investigations are published on the Council's website.

4.7 The Monitoring Officer arranged for independent national experts to review the Council's procedures for handling complaints that Members may have breached the Code of Conduct, to benchmark the Council's arrangements against best local practice elsewhere to ensure that the Council has the best possible arrangements achievable under the legislation. An action plan is currently being developed to deliver the outcome of the review.

4.8 All employees participate in the Council's framework of behaviours describing "What Great Looks Like". The framework describes the strengths and behaviours that are important for every role, identifies areas of development for the workforce and defines the expected standards of behaviour for staff.

4.9 As part of its 2019-20 Plan, the Assurance Risk and Audit team completed a review of the ethical culture at the Council and identified actions for management to consider.

4.10 The Council continues to participate in the National Fraud Initiative data matching exercise, delivering on time against the timetable required. The Corporate Fraud Group comprising the Section 151 Officer, Monitoring Officer, Assurance, Risk and Audit Manager and representatives from other services continue to meet on an ad hoc basis discuss fraud hot topics and monitor the progress of the NFI data matching. Fraud bulletins are published on the Council's intranet monthly. Fraud and Corruption arrangements are developed in accordance with the Code of Practice on Managing Risk of Fraud and Corruption (CIPFA 2014) and all Fraud Policies were reviewed and presented to the Audit Committee during 2019-20. Fraud awareness is now a mandatory e-learning module for all Allerdale employees.

4.11 The Council's updated complaints system and procedures – including the Council's mobile app – to make it easier for complainants to submit complaints, track their progress and quickly access the outcome of complaints. The objective of the complaints process is to identify opportunities for improvements and to endeavour to resolve complaints satisfactorily at local level. The Council's whistle blowing arrangements are publicly available to ensure there is a clear channel of confidential reporting for the public.

4.12 The Council changed the provision of some services in line with government guidance on the control of the spread of the coronavirus. As the government announced the lockdown the Council's business continuity plan was enacted and all staff began working from home where possible with just a skeleton team remaining in the office for essential jobs which could not be undertaken at home. Regular internal meetings were held via Teams, and impact on services was kept to a minimum. The council also successfully introduced virtual committee meetings via the Zoom system to meet its statutory requirements.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

4.13 All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication.

4.14 The Council has been successfully running virtual meetings since June 2020 due to Covid-19. The meetings are broadcast live on the Allerdale Borough Council YouTube and the Council has received much larger viewing numbers than when meetings are held in Allerdale House. The Council will look to continue the live broadcast of meetings in the future and continue to promote its open and transparent agenda.

4.15 The Council engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and representation on the governing bodies of external organisations, neighbourhood forums, businesses and other local authorities. Good governance arrangements in respect of partnerships are agreed on an individual basis as appropriate for the specific partnership or joint working arrangement. Areas of good governance such as declarations of interest and information sharing agreements are adopted for these arrangements in line with the Authority's good governance structures.

4.16 The Council regularly consults on issues ranging from service or project based activities/changes to more strategic policy matters including the proposed budget, the Council Strategy, and the Local Plan (Part 2). When a consultation is held, the Council routinely includes all parish and town councils, as well as partner organisations such as Cumbria County Council. For the Local Plan a number of engagement events were held with staff and the public where people were encouraged to ask officers questions about the proposals. The Council also carries out a biannual survey of residents asking their views on things like council services, proposed budget savings, their local area, and their lifestyle. The survey is used to inform policy decisions and provide insight into the satisfaction levels of Council and other service providers. The 2018 Residents Survey was used to inform the development of the Council's new Council Strategy 2020-2030. A range of media is used to inform residents and employees about the progress made in delivering the Council's plans including press releases, Facebook and Twitter.

4.17 The Council publishes information relating to all of its expenditure on its website each month and publishes an annual Pay Policy Statement detailing the remuneration of senior officers.

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

4.18 The Council Strategy sets out the Council's strategic ambitions for the borough. During 2019-20 a new Council Strategy for 2020-2030 was developed based on discussions with members and officers, an analysis of evidence and intelligence about Allerdale, consideration of residents' views (via the 2018 Residents Survey) and wider external consultation on priorities with stakeholders. The Council Strategy 2020-2030 replaced the previous Council Plan towards the end of 2019-20.

4.19 During 2019-20 a Corporate Business Plan was in place to translate the Council's priorities into clear delivery activities and targets. The Business Plan set out specific activity that would be undertaken towards achieving the objectives set out in the Council Plan and is the vehicle by which the Council reported progress against Council Plan commitments during 2019-20. The Business Plan gives a fuller picture of how the whole organisation contributes to the delivery of the priorities in the Council Plan. Along with setting out specific projects and activities, the Business Plan also sets out a series of key performance indicators under each Council Plan priority theme.

4.20 More specific strategies and plans focus on sustainable economic, social and environmental benefits such as the Local Plan, Business Growth Strategy, and Housing Strategy.

4.21 The Council's decision-making process takes account of the economic, social and environmental impacts of policies and plans. Reports to committees require a consideration of these factors along with risk and financial implications.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

4.22 All decisions are subject to scrutiny by members, review of options and risk by officers and members and key performance indicators are in place for all services.

4.23 The senior management team monitor key performance indicators on a monthly basis to ensure that the Council's priorities and performance targets are being met and potential intervention where expected performance is not being achieved. Progress against Council Plan priorities and performance more generally is reported to the Executive and Overview and Scrutiny Committee quarterly for discussion.

4.24 The Council has a programme of transformation projects. Budget proposals are developed by services, challenged and subject to scrutiny by the Corporate Leadership Team through the Budget Review exercise.

4.25 The Council regularly engages with other authorities to learn and understand how best practice has been delivered elsewhere. Together, these practices also provide assurance that Council is achieving best value.

4.26 During 2019-20 the Council has made use of external challenge and expertise to inform our thinking and generate ideas for improvement. The Council invited the Local Government Association to undertake a Corporate Peer Challenge in September 2019, a process designed to complement and add value to a council's own performance and improvement. The Peer Team's key recommendations were:

- better aligning of resources to key priorities and consideration of sound business cases for projects and services
- producing a revised Medium-Term Financial Plan that addresses the Council's sustainability

- development of an organisation-wide, strategically planned and well-communicated transformation change programme
- further development of the Scrutiny function;
- further training and development for key member roles
- deepening relationships with neighbouring councils;
- improving the effectiveness of communications, and
- building on good practice from within the council and learning from good practice elsewhere.

4.27 The Council had already begun to address a number of these recommendations as the peer challenge was concluding and has built further improvements into its future planning. A new Council Strategy was approved in December 2019 setting out a clear 10 year strategy and priorities for the Council. This is supported by a Delivery Plan setting out key activity to support delivery of the priorities. Alongside this the Medium Term Financial Plan was updated in December 2019 and further work was undertaken on developing the Council's Transformation Programme – the Covid-19 pandemic has since offered opportunities to explore different ways of working to build into this work. The Scrutiny function has been further developed with additional focused training and more briefings for members to inform the Overview role. Individual development plans have been established for all members. Relationships with Copeland Borough Council have been strengthened through a Memorandum of Understanding and a new Communications Strategy has been developed. The advent of the Covid-19 pandemic in March 2020 has significantly affected the Council's finances and plans, but the Council developed an Interim Delivery Plan for 2020-21 that enabled focus on the Council Strategy priorities to be maintained alongside the identification of key activity to respond to and aid recovery from the pandemic.

4.28 The Council also initiated a review of its governance arrangements in 2019-20 (undertaken by the Centre for Public Scrutiny in February 2020) in order to give the Council an external perspective on how the current model as well as others could be used for enhancing councillor involvement, openness and transparency, local democracy and community participation. This review built upon the feedback given as part of the Council's Corporate Peer Challenge. The review did not recommend a fundamental change to the governance model but the Council's Constitution Working Group will consider a number of ways in which the current model can be reinforced and improved to allow greater and more inclusive member involvement and transparency.

4.29 The Council has already began to address a number of these recommendations including further investment in member support and guidance to assist them to fulfil their roles, continuing to build and strengthen the communication and collaborative cross-party working through structured meetings and briefings (an example of this is Local Government re-organisation and improvement in relation to Council meetings), building the role of Scrutiny to engage more 'up-stream' in the policy and decision-making process where it is able to provide greater input and value. This will essentially require additional support and a council-wide collective response to allow it to happen. This should bring additional council benefits by introducing greater focus to Executive forward plans through pre-decision scrutiny. It would also enhance the impact and value of scrutiny and give more Members greater access to help shape and influence, Scrutiny and Executive have agreed a procure to enable them to work more collaboratively and more and new options for engagement are being explored, such as holding meetings in public places around the Borough, and running virtual meetings and use of social media channels which is encouraging members of the public to watch and raise issues or questions.

PRINCIPLE E: Developing capacity and capability, including the capability of its leadership and the individuals within it

4.30 A key element of the Council's service planning is to maximise the investment in staff through staff training and development including using its relationship with the Centre for Leadership Performance and the Apprenticeship Levy. All third tier managers have now completed leadership and management training. Council officers completed an e-Learning package including key legislation and policies. This was also available to Members.

4.31 All employees have development objectives identified as part of their 'What Great Looks Like' appraisal and complete quarterly reviews with their managers to discuss progress. The organisation's values have been refreshed and published as part of an Organisational Development Strategy, which was rolled out across the organisation in 2019-20.

4.32 Members are required to complete a comprehensive induction following their election and receive an induction pack including all relevant policies and procedures. All members are given the opportunity and encouraged to develop individual personal development plans to identify development needs.

4.33 The Council works across a range of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

4.34 To ensure that we have a clear focus on the priority programmes and projects a Programme Management Office (PMO) was set up that includes dedicated internal resource that co-ordinates the resource, internally and externally, that is required for success delivery of the projects and programme outcomes. There is visible sponsorship for Programmes by the Sponsoring Group (SMT) and direction and oversight from elected members through the Executive. The PMO has set up a Programme and Project Framework, which includes a control framework setting out who does what, when and how risks and issues are escalated. A dashboard records progress of all projects which is scrutinised at a monthly SMT Sponsoring Group.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

4.35 The risk management framework confirms the Council's approach to identifying and controlling risk and is reviewed annually. The Council maintains a risks and issues log for corporate risks. Service risks are discussed with teams, reviewed and updated regularly and are escalated when necessary. Through evidence gathering process and the Internal Audit Review of Corporate Procurement and Contract Management risks have been categorised as 'High' in relation to the decisions made when making arrangements for major contracts. The organisation responded to this risk during 2018-2019 by creating the Programme Office to strengthen the first and second lines of defence here. This service is embedding and has delivered wide spread training and awareness activities to strengthen the control environment and by exploring the root causes of these risks.

4.36 The Council's Integrated Assurance Strategy brings together risk management, the three lines of defence model and assurance mapping as a means to aid setting and achieving objectives, promoting good governance and providing assurance. The senior management team and third tier managers attend risk facilitation workshops lead by the Assurance Risk and Audit Manager every six months. The Audit Committee also attend risk workshops to support their role in risk management. The Council has a Corporate

Governance Group consisting of officers from across the Authority who meet throughout the year to assess the processes in place to produce a governance statement and to review progress on improvements in governance arrangements.

4.37 Service performance is monitored and is reported to the Executive committee quarterly. The Council's Financial Regulations provide the governance framework for managing the Council's financial affairs. The Council's financial management arrangements conform to the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government". The Assurance, Risk and Audit team provide regular reports on the effective operation of processes and associated internal controls together with an annual assessment of the overall control environment.

4.38 The Council employs officers with dedicated responsibility for information governance, security and records management. The Council undertook organisation-wide work on data protection leading up to and following the introduction of the new General Data Protection Regulation (GDPR) in 2018. The work has included introducing new policies, procedures and guidance and training all officers within the Council in connection with how information should be securely handled, transmitted, stored and maintained.

4.39 The Council consistently meets statutory deadlines for the publication and audit of its annual statement of accounts.

PRINCIPLE G: Implementing good practices in transparency, reporting, and accountability

4.40 All reports, minutes and decisions are published on the Council's website. The Council follows best practice on providing clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. A new website was implemented in 2018- with significantly improved navigation and reporting tools.

4.41 The Council's Overview and Scrutiny Committee holds decision-makers accountable and reports regularly to full Council with updates on its work and recommendations from any work completed.

4.42 The Council reports regularly to elected members and senior management team on its operational and financial performance. The Council publishes information for all expenditure every month on its website to encourage openness and transparency of public spending.

4.43 All audit recommendations are reported to the Audit Committee, to ensure that officers undertake any follow-up actions as appropriate.

5 Review of Effectiveness of the Governance Framework

5.1 The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers who have responsibility for the development and maintenance of the governance environment, the Assurance, Risk and Audit Manager's annual report and by comments made by the external auditors and other review agencies.

5.2 The Council has used a number of ways to review and assess the effectiveness of its governance arrangements including a detailed review of the qualitative and quantitative evidence about the financial year 2019-20.

5.3 The Governance Group, the Assurance, Risk and Audit team and other key officers have reviewed key performance indicators and met with Heads of Service and third tier managers to discuss their areas. There have been consultations with the Monitoring Officer, the Assurance, Risk and Audit Manager and the s151 Officer. All service areas have completed managers' assurance statements and the feedback has been analysed.

5.4 The Allerdale Investment Partnership has a Management Agreement in place which sets out the governance framework. The Partners are undertaking a review of the Management Agreement to ensure that it continues to deliver the agreed outcomes and safeguards the interests of both partners. The Council is also currently reviewing its internal governance arrangements and will ensure that any improvements are implemented.

5.5 The Council has established Allerdale Waste Services Limited (AWSL), a wholly owned company limited by shares, to deliver its waste and recycling services. The company was established in 2019 following a number of Executive reports setting out the governance arrangements. The governance arrangements were established with the advice of expert external lawyers. In its capacity as 100% shareholder of AWSL, the Council will exercise control and oversight of ASWL and has a number of powers reserved to it over key business decisions. The Council established a Shareholder Committee which is a body that represents the Council's interests as the sole shareholder and provides a simple mechanism with which the Council can engage with the board of AWSL. This is in order to maintain an element of control of the business without affecting the operational management. There is also an AWSL Project meeting including Members and lead officers from AWSL and the Council.

Assurance from Internal and External Audit

5.6 One of the key assurance statements the Council receives is the annual report and opinion of the Assurance, Risk and Audit Manager. The Assurance, Risk and Audit Manager's opinion for 2019-20 concludes that the overall effectiveness of the Council's risk management, control and governance processes are 'substantial'. This has been prepared in accordance with the CIPFA Statement on the Role of the Head of Internal Audit (2010).

5.7 The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Self-assessment and review of performance

5.8 Managers' Assurance Statements, signed by Heads of Service, confirm codes of conduct, financial regulations, and other corporate governance processes have been operating as intended throughout the year.

5.9 During 2019-20:

- no formal reports were issued by the s151 Officer or Monitoring Officer
- no breaches of member or officer Codes of Conduct occurred
- no objections were received from local electors;
- one Judicial Review claim was brought against the Council in respect of a planning decision, both parties approved a consent order for the decision to be quashed.

5.10 Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained.

Follow-up issues and areas for improvement and significant governance issues

5.11 As highlighted at 4.35, through the evidence gathering process and the Internal Audit Review of Corporate Procurement and Contract Management, risks have been categorised as 'High' in relation to the decisions made when making arrangements for major contracts. The organisation responded to this risk during 2018-2019 by creating the Programme Office to strengthen the first and second lines of defence here. This service is embedding and has delivered wide spread training and awareness activities to strengthen the controls environment and by exploring the root causes of these risks. This will continue to be monitored by the Council's Assurance Framework.

6 Conclusion

6.1 Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained, an action plan has been established to address significant governance issues identified:

Issues Identified	Planned Action
Corporate Procurement and Contract Management risks identified through the Internal Audit Review	Monitor the Audit Actions Monitor through the Council's Assurance Framework

Cllr Mike Johnson
Deputy Leader of Allerdale Borough Council

Dated: 26 November 2020

Andrew Seekings
Chief Executive

Dated: 26 November 2020

Glossary of Terms

12-month expected credit losses	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
accounting period	The period of time covered by the accounts, normally a period of 12 months ending with 31 March.
accounting policies	The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.
accruals (accrued expenditure)	Liabilities to pay for goods or services that have been received or supplied during the accounting period but have not been paid , invoiced or formally agreed with the supplier, including amounts due to employees (for example amounts relating to accrued holiday pay) .
accrual basis	A basis of accounting under which transactions and other events are recognised when they occur even if the resulting cash receipts and payments occur in a different period Under the accruals basis an authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Code.
active market	A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
actuarial gains and losses (for a defined benefit pension scheme)	Changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
amortisation (depreciation)	The systematic allocation of the depreciable amount of an intangible asset over its useful life.
amortised cost of a financial asset or financial liability	The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
assets	A present economic resource controlled by the entity as a result of past events
asset ceiling	The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
assets held by a long-term employee benefit fund	Assets (other than non-transferable financial instruments issued by the reporting authority) that are either: (a) held by a fund that is separated within the reporting authority in accordance with Local Government Pension Scheme requirements and exists solely to pay or fund employee benefits, or (b) held by an entity (a fund) that is legally separate from the reporting authority and exists solely to pay or fund employee benefits; and (c) are available to be used only to pay or fund employee benefits, are not available to the reporting authority's own creditors (even in bankruptcy), and cannot be returned to the reporting authority, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting authority; or (ii) the assets are returned to the reporting authority to reimburse it for employee benefits already paid.
associate	An entity over which an investor (i.e. a reporting authority) has significant influence.
authorised for issue (date)	For unaudited accounts - the date on which the responsible financial officer (RFO) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval. For audited accounts - the date the responsible financial officer (RFO) re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015.

available-for-sale financial assets	All non-derivative financial assets that are not classified as (a) loans and receivables or (b) fair value through profit or loss.
benefits payable during employment	Benefits payable during employment include a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. b) Other long-term employee benefits (other than post-employment benefits and termination benefits) earned by current employees but not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.(e.g. long-service leave or jubilee payments and long-term disability benefits).
call accounts	Funds placed with a financial institution without a fixed maturity date and which can be 'called' or withdrawn at any time.
capital expenditure	Expenditure which falls to be capitalised in accordance with proper practices (i.e. the expenditure results in an asset being recognised on the balance sheet) or which otherwise falls to be treated as capital expenditure under regulations or by virtue of a capitalisation direction.
capital receipt	A sum received by the authority in respect of the disposal by it of an interest in a capital asset'. An asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure. Capital receipts also include sums to be treated as being a capital receipt under regulations. These include repayment of a loan, grant or other financial assistance, given by an authority if the same loan, grant or advance would qualify as capital expenditure if incurred at the time of the repayment. Capital receipts which, in aggregate do not exceed £10,000 are not treated as a capital receipt. Capital receipts can only be used for one or more of the purposes set out in regulations. For example to finance capital expenditure, to repay the principal of any amount borrowed, to pay a premium charged in relation to any amount owed or to meet the costs of disposal of an interest in non-housing land, provided these do not exceed 4% of the capital receipt arising from the disposal.
capitalisation	Recognising expenditure as part of the cost of a non-current asset.
carrying amount	The amount at which an asset, a liability or reserve is recognised in the balance sheet.
carrying amount (of an intangible asset)	The amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.
carrying amount (of PPE)	The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.
cash	Cash on hand and demand deposits.
cash equivalents	Short-term, highly liquid investments, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.
cash flows	Inflows and outflows of cash and cash equivalents.
cash-generating assets	Assets held with the primary objective of generating a commercial return.
cash-generating unit	The smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
change in accounting estimate	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

classification	The sorting of assets, liabilities, reserves, income or expenses on the basis of shared characteristics for presentation and disclosure purposes.
class of assets	A grouping of assets of a similar nature and use in an authority's operations.
class of financial instrument	Grouping of financial instruments that is appropriate to the nature of the information disclosed and that takes into account the characteristics of those financial instruments.
close members of the family of an individual	Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: • that person's children and spouse or domestic partner • children of that person's spouse or domestic partner, and • dependants of that person or that person's spouse or domestic partner
commencement of the lease term	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).
community assets	Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. Community assets exclude assets accounted for as heritage assets. Examples include parks (excluding archaeological sites); cemeteries and crematoria (land only) and allotments where there are restrictions on alternative uses).
conditions on transferred assets	Stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
constructive obligation	An obligation that derives from an authority's actions where: • by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and • as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.
contingent liability	(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or (b) A present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.
component [of an item of PPE]	Part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.
contingent rent	That portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).
contract	An agreement between two or more parties that creates enforceable rights and obligations
contract asset	A authority's right to consideration in exchange for goods or services that the authority has transferred to a service recipient when that right is conditioned on something other than the passage of time (for example, the authority's future performance).
contract liability	An authority's obligation to transfer goods or services to a service recipient for which the authority has received consideration (or the amount is due) from the service recipient.

control of an economic resource	The present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it.
control of an investee	An investor (i.e. the reporting authority) controls an investee when the reporting authority is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.
cost approach	A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
costs of disposal	The incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax expense.
costs to sell	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.
credit-adjusted effective interest rate	Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.
credit-impaired financial asset	A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event;(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
credit loss	The difference between all contractual cash flows that are due to an authority in accordance with the contract and all the cash flows that the authority expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Estimates of cash flows include consideration of all contractual terms of the financial instrument through the expected life of that instrument along with cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
credit rating	A standardised assessment - expressed in alphanumeric characters - of the creditworthiness of an entity raising debt capital provided by credit rating agencies to investors and analysts. Ratings also serve as a measure of the risks relating to specific financial instruments.
credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
credit risk rating grades	The rating of credit risk based on the risk of a default occurring on the financial instrument
creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
current asset	An asset that is: a) intended to be sold or used within the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months); b) held primarily for the purpose of trading; c) expected to be realised within 12 months after the reporting date; or d) cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

current liability	A liability that: a) is expected to be settled in the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months) b) is held primarily for the purpose of trading c) is due to be settled within 12 months after the reporting period, or d) the authority does not have an unconditional right to defer settlement of for at least 12 months after the reporting period.
current replacement cost	The cost the authority would incur to acquire the asset on the reporting date.
current service cost	The increase in the present value of a defined benefit obligation resulting from employee service in the current period.
current value (for land and buildings)	The amount that would be exchanged for the asset in its existing use. Current value measurement bases include • existing use value (EUV) defined in accordance with UKVS 1.3 Royal Institution of Chartered Surveyors (RICS) *Valuation – Professional Standards* (RICS, January 2014, as revised April 2015) for assets providing service potential to the authority where an active market exists, and • depreciated replacement cost for assets where there is no market and/or the asset is specialised.
debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
deficit or surplus of a defined benefit pension scheme	The present value of the defined benefit obligation less the fair value of plan assets (if any).
defined benefit (pension) plan	A post-employment benefit plan other than a defined contribution plan. Under a defined benefit plan the amounts paid as retirement benefits are determined independently of the investments of the plan by reference to a formula - usually based on an employees' earnings and/or years of service. Defined benefit plans include both funded schemes such as the Local Government Pension Scheme and unfunded (pay as you go) schemes.
defined contribution plan	A post-employment benefit plan under which an authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.
demand deposit	Interest bearing bank account not available to be used for cheques or other similar payments. Interest is usually paid at fixed intervals typically quarterly or annually. Normally repayable on demand without penalty although notice period may apply in some circumstances.
depreciable amount	The cost of an asset, or other amount substituted for cost, less residual value.
depreciation (amortisation)	The systematic allocation of the depreciable amount of an asset over its useful life.
depreciated replacement cost (DRC) - instant build approach	A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The 'instant build' approach excludes from the valuation any allowance for borrowing costs incurred over an assets construction period.
derecognition	The removal of all or part of a recognised asset or liability from an authority's balance sheet.
derecognition (of a financial asset or liability)	The removal of a previously recognised financial asset or financial liability from an authority' Balance Sheet.
derivative	A financial instrument or other contract within the scope of [IFRS9] with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate,

	financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying"); (b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) It is settled at a future date.
discontinued operation	An activity of an authority that ceases completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.
discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.
disposal group	A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.
dividends	Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.
donated assets	Assets (including heritage assets) transferred at nil value or acquired at less than fair value.
earmarked reserves	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
economic life	Either: (a) the period over which an asset is expected to yield economic benefits or service potential to one or more users; or (b) the number of production or similar units expected to be obtained from the asset by one or more users.
effective interest method	The method used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in Surplus or Deficit on the Provision of Services over the relevant period
economic resource	A right that has the potential to produce economic benefits, service potential or both.
effective interest rate	The interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.
employee benefits	All forms of consideration given by an authority in exchange for service rendered by employees or for the termination of employment.
entry price	The price paid to acquire an asset or received to assume a liability in an exchange transaction.
equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
equity method	A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The reporting authority's Surplus or Deficit on the Provision of Services includes its share of the investee's profit or loss and the reporting authority's Other Comprehensive Income and Expenditure includes its share of the investee's Other Comprehensive Income and Expenditure.
events after the reporting date	Those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue. They include: a) those events that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
executory contracts	Contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.
existing use value	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, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.
exit price	The price that would be received to sell an asset or paid to transfer a liability.
expected credit losses	The weighted average of credit losses with the respective risks of a default occurring as the weights.
expenses	Decreases in economic benefits or service potential in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of property, plant and equipment.
fair value	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.
fair value less costs to sell	The amount obtainable from the sale of an asset (or cash-generating unit) in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.
finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
financial asset	A right to future economic benefits controlled by the authority that is represented by: • cash • an equity instrument of another entity • a contractual right to receive cash (or another financial asset) from another entity • a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.
financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.
financial liability	An obligation to transfer economic benefits controlled by the authority that is represented by: • a contractual obligation to deliver cash (or another financial asset) to another entity • contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.
financial liability at fair value through profit or loss	A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions: a) it meets the definition of held for trading b) upon initial recognition it is designated by the authority as at fair value through profit or loss in accordance with paragraph 7.1.5.8 or paragraph 4.3.5 of IFRS 9 c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9.
financing activities	Activities that result in changes in the size and composition of the principal,

	received from or repaid to external providers of finance.
future economic benefit or service potential	Economic benefits refer to the potential to contribute directly or indirectly to the flow of cash and cash equivalents to an entity. Service potential indicates the capacity of an asset to provide goods and services in accordance with an entity's objectives, without necessarily generating any net in-flows of cash and cash equivalents.
gilts	UK government securities issued by HM Treasury
going concern assumption	The assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.
government	Central government, government agencies and similar bodies whether local, national or international.
government-related entity	An entity that is controlled, jointly controlled or significantly influenced by a government.
grants and contributions	Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.
gross carrying amount of a financial asset	The amortised cost of a financial asset, before adjusting for any loss allowance.
gross investment in the lease	The aggregate of: (a) the minimum lease payments receivable by the lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
group	A parent and all its subsidiaries.
group accounts	The financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.
guaranteed residual value	For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and For a lessor, that part of the residual value that is guaranteed by the lessee, or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
held for trading	Held for trading is a financial asset or financial liability that: a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term b) on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
heritage assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting authority in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.
highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.
highly probable	Significantly more likely than probable.
historical cost (of property, plant and equipment)	The carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

identifiable (asset)	An asset is identifiable if it either: (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or (b arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
impracticable	Applying a requirement is impracticable when the authority cannot apply it after making every reasonable effort to do so.
inception of the lease	The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.
income	Increases in assets, or decreases in liabilities, that result in increases in reserves. Income includes both revenue arising in the normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.
income approach	A valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
income from a structured entity	Income that includes but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.
infrastructure assets	Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, permanent ways, coastal defences, water and drainage systems).
initial direct costs (of a lease)	Incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.
inputs	The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following: a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model), and b) the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.
input tax	VAT charged on purchases.
intangible asset	An identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic benefits or service potential must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.
intangible heritage asset	An intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.
interest in another entity	Contractual and non-contractual involvement that exposes a reporting authority to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. A reporting authority does not necessarily have an interest in another entity solely because of a typical customer–supplier relationship.
interest rate implicit in the lease	The discount rate that, at the inception of the lease, causes the aggregate present value of: (a) the minimum lease payments; and (b) the unguaranteed residual value to be equal to the sum of (i) the fair value of the leased asset, and (ii) any initial direct costs of the lessor.

interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
inventories	Assets: a) in the form of materials or supplies to be consumed in the production process b) in the form of materials or supplies to be consumed or distributed in the rendering of services c) held for sale or distribution in the ordinary course of operations, or d) in the process of production for sale or distribution.
investing activities	Activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
investment property	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes, or b) sale in the ordinary course of operations.
joint arrangement	An arrangement of which two or more parties have joint control.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
joint operator	A party to a joint operation that has joint control of that joint operation.
joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel	All chief officers (or equivalent), elected members, 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.
lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
lease term	The non-cancellable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option
legal obligation	An obligation that derives from a contract (through its explicit or implicit terms); legislation, or other operation of law.
lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.
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.
liability	A present obligation of the authority to transfer an economic resource as a result of past events.
lifetime expected credit losses	The expected credit losses that result from all possible default events over the expected life of a financial instrument
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those

	(a) that the authority intends to sell immediately or in the near term, (and classified as fair value through profit or loss), or (b) for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (and classified as available-for-sale).
loans payable	Financial liabilities, other than short-term trade payables on normal credit terms.
loss allowance	The allowance for expected credit losses on financial assets measured in accordance with paragraph 7.1.5.2 of the Code (i.e. at amortised cost), lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 7.1.5.3 of the Code (i.e. fair value through other comprehensive income) and the provision for expected credit losses on loan commitments and financial guarantee contracts.
market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
market-corroborated inputs	Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
market participants	Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: a) They are independent of each other, i.e. they are not related parties as defined in IAS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. c) They are able to enter into a transaction for the asset or liability. d) They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.
material	Omissions or misstatements of items are material if they 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.
minimum lease payments	The payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with: (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or (b) for a lessor, any residual value guaranteed to the lessor by: (i) the lessee; (ii) a party related to the lessee; or (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.
minimum revenue provision (MRP)	The minimum amount that must be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements.
minority interest	The equity in a subsidiary not attributable, directly or indirectly, to a parent.
modification gain or loss	The gain or loss arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. Adjustment of the gross carrying amount reflects the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset,

	discounted at the asset's original effective interest rate (or the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The estimated future cash flows of a financial asset exclude expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset.
money market fund	A regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments such as bank deposits, certificates of deposit and commercial paper. Money market funds may also hold other types of securities such as floating rate notes and fixed rate bonds which have only a short time until their maturity.
most advantageous market	The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.
multi-employer plans	Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: a) pool the assets contributed by various entities that are not under common control, and b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.
net book value	See 'carrying amount'.
net defined benefit liability (asset)	The deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.
net interest on the net defined benefit liability (asset)	The change during the period in the net defined benefit liability (asset) that arises from the passage of time.
net investment in the lease	The gross investment in the lease discounted at the interest rate implicit in the lease.
net realisable value (of inventories)	The estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
non-cancellable lease	A lease that is cancellable only: (a) upon the occurrence of some remote contingency; (b) with the permission of the lessor; (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.
non-cash generating assets	Assets other than cash-generating assets.
non-current assets held for sale	Non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continued use.
non-current asset	An asset that does not meet the definition of a current asset. Non-current asset include those assets – such as property, plant and equipment - that provide benefits to the authority for a period of more than one year.
non-exchange transactions	Transactions that are not exchange transactions. In a non-exchange transaction, an authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange directly receiving approximately equal value in exchange.
non-operational assets	Assets held but not occupied, used or consumed in the production or supply of goods and services, for rental to others, or for administrative purposes. Non-operational assets include surplus assets and assets under construction.
non-performance risk	The risk that an entity will not fulfil an obligation. Non-performance risk includes, but may not be limited to, the entity's own credit risk.
non-specified investments	Investments not meeting the definition of 'specified investments'.
notes	Notes contain information in addition to that presented in the Comprehensive

	Income and Expenditure, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.
obligating event	An event that creates a legal or constructive obligation that results in an authority having no realistic alternative to settling that obligation.
obligation	A duty or responsibility that an authority has no practical ability to avoid. An obligation is always owed to another party (or parties) which could be one or more persons or entities, or society at large. It is not necessary to know to whom the obligation is owed.
observable inputs	Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
onerous contract	A contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.
operating activities	The activities of the authority that are not investing or financing activities.
operational assets	Assets occupied, used or consumed in the production or supply of goods and services for which it has either a statutory or discretionary responsibility, for rental to others, or for administrative purposes
operating lease	A lease other than a finance lease.
operating segment	An operating segment is a component of an authority that engages in activities and whose operating results are reviewed regularly as part of internal management reporting for the purpose of (a) evaluating the authority's past performance in achieving its objectives and (b) making decisions about the future allocation of resources.
orderly transaction	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a forced liquidation or distress sale).
other comprehensive income and expenditure	Items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus and remeasurement of the net defined benefit liability (asset).
other long-term employee benefits	Employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
output tax	VAT charged on sales.
oversight	The supervision of the activities of an authority, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the authority.
owner-occupied property	Property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.
parent	An entity (i.e. reporting authority) that has one or more subsidiaries.
party to a joint arrangement	An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.
past due	A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.
past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan).
performance	A promise in a contract with a service recipient to transfer to the service recipient

obligation	either: a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the service recipient.
plan assets	a) assets held by a long-term employee benefit fund, and b) qualifying insurance policies.
post-employment benefits	Employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefits cover not only pensions but also other benefits payable post-employment such as life insurance and medical care.
post-employment benefit plans	Formal or informal arrangements under which an authority provides post-employment benefits for one or more employees.
power	Existing rights that give the current ability to direct the relevant activities.
prepayment/ payments in advance	An asset in respect of payments made for goods or services that have not yet been received or supplied.
present value of a defined benefit obligation	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
principal market	The market with the greatest volume and level of activity for the asset or liability.
prior period errors	Omissions from, and misstatements in, the authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
probable	More likely than not.
projected unit method	Actuarial valuation method used to determine the present value of defined benefit pension fund liabilities and service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.
proper (accounting) practices (as defined by regulations)	Accounting practices contained in The Code of Practice on Local Authority Accounting in the United Kingdom' published by CIPFA, as amended or reissued from time to time.
property, plant and equipment	Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
protective rights	Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate
provision	A liability of uncertain timing or amount.
PWLB	Statutory body operating within the United Kingdom Debt Management office, an Executive Agency of HM Treasury. PWLB's whose function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
purchased or originated credit-impaired financial asset	Purchased or originated financial asset(s) that are credit-impaired on initial recognition.
puttable instrument	A financial instrument that gives the holder the right to put the instrument back to

	the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
qualified valuer	A person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.
quoted in an active market	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's-length basis.
receipts in advance	A liability relating to resources received but in respect of which the relevant revenue recognition criteria have not been met.
receivable	Unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.
reclassification adjustments	Amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.
reclassification date	The first day of the first reporting period following the change in business model that results in an authority reclassifying financial assets.
recognition	The process of capturing for inclusion in the in the balance sheet or comprehensive income and expenditure statement an item that meets the definition of one of the elements of financial statements -an asset, a liability, reserve, income or expenses. Recognition involves depicting the item in one of those statements - either alone or in aggregation with other items - in words and by a monetary amount, and including that amount in one or more totals in that statement.
recoverable amount (of an asset)	The higher of fair value less costs to sell (i.e. net selling price) and its value in use.
related party	A person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity'). (a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). (iii) Both entities are joint ventures of the same third party (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council.
related party	A transfer of resources or obligations between related parties, regardless of

transaction	whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part. Examples of related party transactions include sales, transfers and exchanges of non-current assets, leases, guarantees, the provision of goods and services, secondment of staff and the making of loans and investments.
relevant activities,	Activities of the investee that significantly affect the investee's returns.
remeasurements of the net defined benefit liability (asset)	Remeasurements comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).
remuneration of key management personnel	Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority. It includes all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.
reporting date	The date of the last day of the reporting period to which the financial statements relate.
reserves	The residual interest in the assets of the authority after deducting all its liabilities. They include usable reserves (i.e. those that an authority may use to provide services either by incurring expenses or undertaking capital investment) and unusable reserves (those that an authority is not able to utilise to provide services). The latter includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line 'Adjustments between the accounting basis and funding basis under regulations'. This includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line on adjustments between the accounting basis and funding basis.
residual value (of an asset)	The estimated amount that an authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
restrictions on transferred assets	Stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.
restructuring	A programme that is planned and controlled by management, and materially changes either: (i) the scope of an authority's activities, or (ii) the manner in which those activities are carried out.
retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
return on plan assets	Interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing plan assets; and (b) any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.
revenue (income)	Revenue is income arising as a result of an authority's normal operating activities.
revenue expenditure	Expenditure on day-to-day items including the running of services, such as staffing and office costs, as opposed to capital expenditure.
revenue expenditure funded from capital under statute	Expenditure that is not permitted to be capitalised (as a non-current asset) under proper practices but which under regulations or by virtue of a capitalisation direction, is classified as capital for funding purposes. Examples include:

(REFCUS)

- capital grants and financial assistance to third parties towards expenditure which would, if incurred by the authority, be capital expenditure;
- expenditure incurred on works to any land or building in which the local authority does not have an interest, which would be capital expenditure if the local authority had an interest in that land or building).

senior employee

An employee:

- whose salary is £150,000 or more per year, or
- whose salary is £50,000 or more per year (to be calculated pro rata for an employee employed for fewer than the usual full time hours for the relevant authority concerned) (and who is either :

  (a) the designated head of paid service , a statutory chief officer or a non-statutory chief officer of a body, as defined by the Local Government and Housing Act 1989;
  (b) the head of staff for a body which does not have a designated head of paid service ; or
  (c) any person having responsibility for the management of the body to the extent that the person has power to direct or control the major activities of the body during the year (in particular activities involving the expenditure of money), whether solely or collectively with other persons.

separate financial statements

See ‘single entity financial statements’.

separate vehicle

A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

service cost (of a defined benefit obligation)

Service cost comprises current service cost, past service cost and any gain or loss on settlement.

service recipient

A party that has contracted with an authority to obtain goods or services that are an output of the authority’s normal operating activities in exchange for consideration.

settlement (of a defined benefit obligation)

A transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

short-term employee benefits

Employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include:

a) wages, salaries and social security contributions
b) paid annual leave and paid sick leave
c) profit-sharing and bonuses
d) non-monetary benefits.

short-term paid absences

Periods during which an employee does not provide services to the employer, but benefits continue to be paid

Paid absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.

single entity financial statements

Those statements presented by a parent (i.e. a reporting authority with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with chapter seven of the Code. In the context of the Code, an authority’s single entity financial statements are deemed to be separate financial statements.

significant influence	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence may be gained by share ownership, statute or agreement.
soft loan	A loan at nil or below prevailing interest rates
specified investment	An investment that is: (a) denominated in sterling with any payments or repayments payable only in sterling; (b) not a long-term investment (i.e. repayable after more than 12 months) (c) not defined as capital expenditure under regulations (d) made with a body or in an investment scheme of high credit quality or with one of the following public-sector bodies: (i) the United Kingdom Government (ii) a local authority in England or Wales or a similar body in Scotland or Northern Ireland (iii) a parish council or community council.
stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.
stand-alone selling price (of a good or service)	The price at which an authority would sell a promised good or service separately to a service recipient.
structured entity	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
subsidiary	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).
surplus or deficit on the provision of services	The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.
tangible heritage asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
term deposits (time deposits)	A type of interest-bearing account for a fixed period of time - ranging from overnight to 5 years - and from which the depositor cannot withdraw funds before the maturity date without incurring a penalty. Time deposits typically pay a fixed rate of interest payable on maturity although longer sated deposits may make interim interest payments.
termination benefits	Employee benefits payable as a result of either: a) an employer’s decision to terminate an employee’s employment before the normal retirement date, or b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment (e.g. voluntary redundancy). They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.
total comprehensive income and expenditure	All components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.
trade payables	Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier but for which payment has not been made by the end of that accounting period.
trade receivables	Amounts owed by customers (individuals or corporations) for goods or services that have been delivered or supplied, and have been invoiced or formally agreed with the customer but not yet paid for. A trade receivables represents an unconditional right to receive consideration from a customer with nothing, other than the passage of time, being required before payment of that consideration is due.

trading operations	Services provided: • in a 'competitive environment' - i.e. the user has discretion to use an alternative provider, • to users (internal and external) on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates or a combination of these.
transaction costs	The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria: (a) they result directly from and are essential to that transaction. (b) they would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in IFRS 5).
transaction costs financial instruments)	Incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument
transaction price (for a contract with a service recipient)	The amount of consideration to which an authority expects to be entitled in exchange for transferring promised goods or services to a service recipient, excluding amounts collected on behalf of third parties.
transfers	Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
transfer of a function to or from a local authority	A transfer of an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.
transport costs	The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.
unearned finance income	The difference between: (a) the gross investment in the lease; and (b) the net investment in the lease.
unguaranteed residual value	That portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.
unit of account	The level at which an asset or a liability is aggregated or disaggregated in an IFRS for recognition purposes.
unobservable inputs	Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
useful life (of a lease)	The estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.
useful life	The period of time over which an asset is expected to be available for use by an authority.
value in use of a cash-generating asset	The present value of the future cash flows expected to be derived from an asset.
value in use of a non-cash generating asset	The present value of the asset's remaining service potential. This is assumed to be at least equal to the cost of replacing that service potential.
VAT	An indirect tax levied on most business transactions and on many goods and some services.
vested employee benefits	Employee benefits, the rights to which are, not conditional on future employment.

ABBREVIATIONS

AVC Additional Voluntary Contribution

BMW Biodegradable Municipal Waste

CAA Capital Adjustment Account

CFO Chief Finance Officer

CFR Capital Financing Requirement

CIES Comprehensive Income and Expenditure Statement

CIFPA The Chartered Institute of Public Finance and Accountancy

CPI Consumer Prices Index

DECC Department of Energy and Climate Change

DEFRA Department for Environment, Foods and Rural Affairs

DRC Depreciated Replacement Cost

DWP Department of Work and Pensions

EIR Effective Interest Rate

EUV Existing Use Value

FRICS Fellow of Royal Institution of Chartered Surveyors

FVOCI Fair value through other comprehensive income

FVTPL Fair value through profit or loss

HMRC Her Majesty's Revenue and Customs

IAS International Accounting Standard

IB-DRC Instant Build Depreciated Replacement Cost

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standard

LASAAC Local Authority (Scotland) Accounts Advisory Committee

LCTS Local Council Tax Support

LGA 2003 Local Government Act 2003

LGPS Local Government Pension Scheme

MHCLG Ministry of Housing, Communities and Local Government

MiRS Movement in Reserves Statement

MMI Municipal Mutual Insurance

MRICS Member of the Royal Institution of Chartered Surveyors

MRP Minimum Revenue Provision

NBV Net Book Value

NDR (NNDR) National Non-Domestic Rates (Business Rates)

NHS National Health Service

OEIC Open Ended Investment Company

PFI Private Finance Initiative

PPE Property, Plant and Equipment

PPP Public Private Partnership

PWLB Public Works Loan Board

REFCUS Revenue Expenditure Funded from Capital under Statute

RFO Responsible Finance Officer

RICS Royal Institution of Chartered Surveyors

RPI Retail Prices Index

RSG Revenue Support Grant

RSL Registered Social Landlord

RTB Right to Buy

SeRCOP Service Reporting Code of Practice

SI Statutory Instrument

SIP Statement of Investment Principles

SOLACE The Society of Local Authority Chief Executives and Senior Managers

SPPI Solely payments of principal and interest

TMPs Treasury Management Practices

UEL Useful Economic Life

VAT Value Added Tax

VOA Valuation Office Agency