Allerdale borough council

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Statement of Accounts

Year Ending 31 March 2023

Allerdale Borough Council

Statement of Accounts 2022/23

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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 1 April 2022 to 31 March 2023.

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

Local Government Reorganisation

2.1 On 21 July 2021, the Secretary of State for Housing, Communities and Local Government announced plans to replace the two-tier system of county and district councils operating in Cumbria with two unitary councils. These plans have seen the establishment of two unitary councils; Westmorland and Furness Council covering the existing areas of Barrow, Eden and South Lakeland and Cumberland Council covering the existing areas of Allerdale, Carlisle and Copeland. The creation of these unitary councils presents significant opportunities to reduce duplication, share good practice and innovation, and improve services for communities.

2.2 The Cumbria (Structural Changes) Order 2022, came into force on 18 March 2022 and provided the legal foundations for the establishment of a single tier of local government in Cumbria. This included provisions for appropriate transitional arrangements, including electoral matters and the establishment of the new authorities in shadow form in May 2022, and for the unitary councils to assume the full range of local authority responsibilities on 1 April 2023 (the reorganisation date).

2.3 Throughout 2022-23, preparation for local government reorganisation has seen a focus on the implementation of a transition plan to deliver "safe and legal" unitary authorities on 1 April 2023 whilst at the same time ensuring continuity of existing services to residents and businesses.

2.4 On the reorganisation date (1 April 2023) Allerdale Borough Council was wound up and dissolved and its functions along with all property, rights, liabilities and financial reserves, vested in and transferred to Cumberland Council.

The area of Allerdale

2.5 The district area of Allerdale is located in the north west of Cumbria and covers an area of 1,258 square kilometres. Allerdale is a diverse area, both in terms of geography and history. It includes some of the country's most stunning landscapes (including 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.

2.6 The area has low levels of crime and many 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.

2.7 Allerdale's population decreased by 0.3%, from around 96,400 in 2011 to 96,100 in 2021. Population density is low overall compared to other areas in England at 77 people per square kilometre, but varies considerably across the district. In the south west around the towns of Workington, Maryport and Cockermouth, population density is about 450 people per square kilometre. By contrast, the Solway Plain has a population density of less than 50 people per square kilometre. Due to the largely rural nature of the district, transport connectivity, broadband provision and access to services remain issues.

2.8 Between 2011 and 2021 Allerdale saw an increase of 18.8% in people aged 65 years and over, a decrease of 5.9% in people aged 15 to 64 years, and a decrease of 2.6% in children aged under 15 years. This means that Allerdale's population profile is 'ageing' at a faster rate than the population nationally. By 2043 around a third of all residents are projected to be aged 65 and over.

2.9 Unemployment rates for Allerdale as a whole have tended to be slightly lower than the regional and national averages. However, there are pockets of unemployment well in excess of the national average in some towns. Claimant rates for Universal Credit (UC) (including those not working, not seeking or able to work and those claiming whilst in work) are below the national average, but again there are areas with rates significantly above that average. The Covid-19 pandemic had a particular impact on certain sectors of the economy, notably retail, hospitality, leisure and tourism. As parts of Allerdale have a high proportion of people working in these sectors, this has been reflected in unemployment and UC claimant rates.

2.10 The major employers 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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. 15% 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.

2.15 Average life expectancies for Allerdale residents have improved over time, but remain lower than the England and Cumbrian averages. Life expectancy is 10.4 years lower for men and 7.7 years lower for women in the most deprived areas of Allerdale than in the 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

2.16 Prior to local government reorganisation and the Authority's dissolution on 1 April 2023, the Authority was 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 were supported by a range of back-office and support functions including Finance, Property Services, Legal, IT and Human Resources.

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

Executive Member Portfolio	Service/Support function
Environmental Services	• Sports & Leisure Centres • Sports Development • Parking • Bereavement Services • Parks and Open Spaces • Household Waste Collection and recycling, trade waste, street cleaning, grounds maintenance • Pest Control • Allerdale Waste Services Limited
Leisure and Tourism	• Destination and Tourism • Museums, Arts and Culture • National Park and National Park Partnership • Solway AONB
Policy, Governance and People Resources	• Climate Change • Corporate Policy • Planning Policy • Housing Strategy • People Resources • Strategic Communications • Governance • Democratic and Electoral Services • Housing Options • Procurement

Executive Member Portfolio	Service/Support function
Economic Growth, Community Development and Placemaking	• Economic Development • Town Centre Regeneration • Events and Markets • Land Asset Management and Public Buildings • Development Management (inc. planning & building control) • Housing Development
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 • Revenues and Benefits

Employee information

2.18 The Authority employed 231 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 2023			
	Employee Numbers		FTE	
	Male	Female	Male	Female
Senior managers	7	1	7	1
Other employees	69	154	66	129
Total	**76**	**155**	**73**	**130**

	At 31 March 2022			
	Employee Numbers		FTE	
	Male	Female	Male	Female
Senior managers	6	2	6	2
Other employees	73	147	71	124
Total	**79**	**149**	**77**	**126**

Governance arrangements

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

2.20 The Annual Governance Statement provides a summary of the arrangements established 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 2022-23 were outlined in the Council Strategy 2020-2030, which was approved by Members in December 2019. The Strategy set out six key priority themes:

Theme	Objectives
A financially secure council	Address the projected budget gap; Become self-sufficient by 2030; Become more commercial; Become more efficient and productive.
A cleaner, greener Allerdale	Make sure our neighbourhoods are clean and tidy; Reduce waste and increase recycling; Improve and protect our open spaces and green infrastructure; Ensure environmental sustainability is at the heart of our policies; Use our assets to encourage green technology.
Invest to grow	Use our asset portfolio to create new or different opportunities; Work with partners on key economic sites and opportunities; Utilise the Allerdale Investment Partnership, the Local Enterprise Partnership and Britain's Energy Coast to stimulate growth; Develop a housing company to provide the right homes in the right places at the right price.
Outstanding local services	Make it easy for customers to contact us; Ensure we get it right first time; Be bold in our use of technology; Look at different and better ways to deliver services.
Thriving towns and villages	Support businesses; Create deliverable town plans that enable our towns to adapt to the changing nature of the high street; Ensure there are suitable, affordable, decent homes for all; Give people a reason to visit our towns (festivals, events, cultural and sporting activities, markets); Increase the number of people living in our town centres; Build communities, not just homes.
Resilient communities	Promote healthy, active lifestyles; Address community safety issues; Engage with our communities, and our town and parish councils; Prevent and reduce homelessness; Address inequalities.

3.2 The Council Strategy was supported by an annual Delivery Plan mapping out in more detail how the Authority would deliver against the priorities and objectives in the Council Strategy over the short to medium term.

3.3 In developing the Delivery Plan for 2022-23, consideration was given to key projects and programmes to support communities and businesses, the capacity requirements of the local government reorganisation programme, and ongoing budget pressures. Business planning for 2022-23 included making an assessment of what could realistically be achieved by April 2023, as well as what projects were likely to be taken forward into the new Cumberland Council.

3.4 A set of business planning principles were adopted to provide guidance to managers as they considered activity for 2022-23 to ensure that any projects and activities were prioritised to confirm available capacity to deliver, clarity of purpose, strategic alignment, and delivery of value for money.

3.5 The Delivery Plan 2022-23 set out 47 key projects and activities and key performance indicators. A total of 46 of these were completed during 2022-23 or remained on target to be completed within the timescales set out in the Delivery Plan.

3.6 The Authority's key achievements in delivering the Council Strategy during 2022-23 include:

- contributing to the implementation of the LGR Programme and the establishment of two new 'safe and legal' unitary councils on 1 April 2023;
- delivery of digital solutions to improve efficiency and effectiveness of services, for example, implementation of a new finance system;
- dramatically increased enforcement activity on environmental crime including fly tipping through fines, investigations and prosecutions;
- progressing the delivery of strategic green infrastructure and biodiversity projects including 'Get Cumbria Buzzing' sites, Workington Nature Partnership projects and the Cumbria Coastal Forest project;
- roll out of additional doorstep recycling facilities to households that did not have a full suite of recycling options;
- successful implementation of re-routing and re-rounding of waste collections to make collection routes more efficient and achieve a net positive environmental benefit;
- progressing work with partners including further project development and delivery of all of the Town Deal projects (funded from a £23.1m grant from the Government's Towns Fund);
- progressing delivery of projects funded through the Maryport Future High Streets and Heritage Action Zone grants (£11.5m and £593k respectively) whilst addressing the challenges of rising construction costs;
- completing a project to unlock 10.5ha of development land near Workington ready for employers to locate on site;
- submitting and obtaining approval from government of an Investment Plan for the Shared Prosperity Fund;
- successful introduction of the new Choice Based Lettings policy and system in partnership with councils across Cumbria;
- delivery of government funded relief schemes including over 40,000 Council tax (energy) rebates to eligible households and Covid19 Additional Relief Fund payments to nearly 300 businesses;
- delivering financial support to individuals through the Hardship Fund and Council Tax Reduction Scheme;
- providing a small grants scheme for charities and non-for-profit organisations to support community projects helping with community resilience and additional funding to specifically support cost of living alleviation measures and activities;
- providing grant support to third sector organisations offering advice and support to those struggling financially to help them deal with money and other problems.

Performance monitoring

3.7 Performance in meeting the priorities set out in the Council Strategy was 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 included monitoring against a number of financial and non-financial performance measures identified for each of the six priority themes. The following table provides a summary of the key indicators monitored during the financial year.

Performance indicator	2021/22 actual	2022/23 target	2022/23 actual
A financially secure council			
% of debt outstanding for over 90 days	28%	-	25.3%
% of NNDR collected	98.7%	97.7%	98.3%
% of Council Tax collected	96.9%	97.2%	96.8%
Occupancy rates of Council's property portfolio	96%	90%	88.0%
A cleaner, greener Allerdale			
Number of fly tipping incidents	1,503	-	1,989
Number of Fixed Penalty Notices issued (fly tipping)	13	-	127
Residual household waste per household (kg)	548.6kg	560kg	525kg
% of household waste sent for reuse, recycling & composting	36.0%	37%	35.8%
% of bins collected as scheduled	99.94%	-	99.94%
Invest to grow			
% of major planning applications determined within statutory period	100%	90%	100%
Outstanding local services			
Abandoned calls rate (%)	6%	7%	9.0%
Customer service satisfaction score	93%	90%	91.0%
Numbers of complaints	609	-	577
% of official complaints upheld (where outcome known)	-	-	32.7%
Self-service digital transactions as a % of total transactions	60%	50%	53.2%
Overall percentage of time systems available for use	99.0%	99.9%	100%
E-Newsletter unique open rate (external only)	42.5%	40%	44.7%
Thriving towns and villages			
% of invoices from local Cumbrian businesses paid within 14 days	96.1%	98%	95.6%
% of Council spend on goods & services with local (Cumbrian) suppliers	52.23%	50%	47.9%
No. of affordable homes facilitated by the Council	12	15	19
% Full plans determined within 5 weeks (Building Control)	94%	85%	90.0%
% of Local Land Charge Searches carried out within 10 working days	93.8%	98%	94.6%
% of minor planning applications determined within statutory period	95%	90%	94.7%
No. of housing units granted planning permission	403	353	177
No. of Disabled Facilities Grants approved	94	-	139
Resilient communities			
% of homeless decisions made within guideline 56 days	88%	100%	76.6%
% of successful homeless outcomes - prevention	-	56.3%[a]	77.0%

Performance indicator	2021/22 actual	2022/23 target	2022/23 actual
% of successful homeless outcomes - relief	-	39.1%[a]	86.4%
Time taken (days) to process Council Tax new claims	10	15	14
Time taken (days) to process Housing Benefit new claims	17	20	16
Time taken (days) to process Housing Benefit/Council Tax change of circumstances	4	4	4

[a] England average

4. Key risks and uncertainties

4.1 Throughout 2022-23 a risk management strategy was in place to identify and evaluate risk. This was based on the principles of the Enterprise Wide Risk Management Framework. There were 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 was 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
Cyber security and information governance: Failure to maintain secure information systems and networks against cyber-attacks. Information not managed in line with policy, procedure and regulatory requirements of Data Protection Regulations.	Continuous and growing risk of attacks (Russia), service outage, loss of data or commercial sensitive information, business disruption, reduced trust from stakeholders, cyber-crime, information lost or stolen, breach of GDPR and financial implications, regulatory fines, regulatory investigation including ICO, failure to provide customer service, loss of income. Reputation, trust and confidence.	Independent annual IT health checks. Compliance with a number of regulatory controls and accreditations. Migration of systems to the Cloud. Implementation of Advanced Threat Protection, identity management and other security tools. Roll out of Multi Factor Authentication. Data Protection communication plan adopted. Updated Information Governance policies & procedures in place. Corporate information audit carried out. Data Protection Impact Assessment procedure adopted. Data Protection Officer and Senior Information Risk Officer appointed. Lawful basis for processing personal data identified. Mandatory data protection, ICT and GDPR e-learning for all staff. Compliance monitoring and business continuity exercise, phishing exercises etc. Ensure all new relevant contracts are cyber compliant and routine review of policies and procedures.
Homelessness: Significant increase in homeless demand	Pressures on the current low volume of temporary accommodation - increase in asylum/refugee seekers, cost of living crisis and reliance on neighbouring councils and housing associations. Increase in numbers presenting as homeless and demands on existing staff and wider service areas.	Increase provision of temporary accommodation from other sources. Additional resources (current recruitment) and discussions with SERCO and Home Office. Training of staff and awareness to other areas through regular communications. Training of staff, knowledge of asylum seekers schemes. Continuously reviewing resource and capacity (staff and temporary accommodation).
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.	The Authority is a member of Cumbria Coastal Strategy Group and the Flood and Coastal Risk Management Group. Implementation of the Shoreline Management Plan in relation to coastal defence. Annual Coastal Protection budget in place. Cumbria Coastal Strategy (CCS) identifies work needed and provides a timeline for these works. The Authority, as a Coastal Authority, is working in partnership to deliver coastal defence projects. As part of the CCS, the Environment Agency provide Flood and Coastal Risk Management Grants.
Balanced budget: Failure to maintain a safe and balanced budget for the delivery of services. This risk includes the ongoing uncertainty caused by single-year financial settlements and continued delays to the Fair Funding Review and reform of the Business Rates Retention scheme.	Failure to meet statutory obligation to deliver a balanced budget, risk to 'going concern' status. Increased reliance on reserves/lending. Reductions in local services.	Robust budget monitoring and medium term planning regime; regular monitoring meetings and reporting on variances. Revision to budget at mid-year point. Regular review of reserves and balances. Business partnering approach to support services, informal Executive discussions, introduction of KPI to highlight variance from budget.

Risk	Impact	Mitigation
Value for money: Failure to continue providing value for money for expenditure.	Inability to fulfil statutory obligations. Cessation of discretionary services. Cannot succeed as a council. Inability to achieve plans, loss of key staff and or services, further use of reserves. Waste due to inefficient processes.	Monitoring and challenge processes adopted to improve accountability and responsibility for budget management, and drive cost and time performance information relating to value for money. Training for staff (budget management, commissioning, and procurement). Monthly performance and financial monitoring information reviewed by SMT to drive efficiency and effectiveness. Regular review of corporate risk log. Detailed business cases and options appraisals to support informed decision making. Projects include clear defined and measurable outputs to demonstrate the value added by the expenditure. Development of a Target Operating Model to support the drive for efficiency and growth.
Change management: Failure to implement change management processes and procedures (LGR, transformation, operation, productivity, people)	Uncertainty around LGR. Reduction in customer service and satisfaction. Difficulty with staff recruitment and retention. Cannot effectively deliver future operating model/delivery. Inconsistent messaging and direction. Inability to consistently manage productivity and performance. Cannot deliver statutory services due to Covid-19 work/absence. Service resilience for emergency planning. Volume of single point of contacts within the workforce, experience, knowledge, single point of failure. Industrial action.	LGR Programme Board and internal groups. Recovery Strategy; New Ways of Working programme; Communications Strategy - clear vision, transparent, engagement with all staff, to share ideas and change management visions. 1-2-1 meetings, appraisals, Regular staff updates and briefings Employee Engagement Group and management with stakeholders.
Major regeneration programmes: Failure to manage, resource and budget major regeneration programmes including Workington (Town Deal), Maryport (FHSF; HAZ) and others	Inability to progress major regeneration schemes resulting in failure to safeguard or create employment opportunities. Increase in construction costs and supply chain impacts. Deterioration in environment. Loss of assets. Reduction in business rates received. Loss of retail trade from town centres.	Ongoing dialogue with stakeholders, funders and delivery partners; recruitment of capital programmes/projects managers; appointment of strategic delivery partner for regeneration; identification of range of delivery methods including alternative economic development models; investigate potential private sector funding; competitive tendering to drive value for money.

Risk	Impact	Mitigation
Business continuity plans: Business continuity and emergency plans do not meet business needs	Significant impact on wellbeing and health of residents. The Council does not comply with its duties as a Category 1 Responder under the Civil Contingencies Act. Priority services are not maintained, resulting in bad publicity and loss of confidence in management, delayed income collection, increased unbudgeted expenditure costs. Future consequences of epidemic are not considered.	Central Business Continuity Plan in place supported by Business continuity plans for individual service areas. Alternative sites identified for business. Transfer of telephony system to Microsoft Teams, removing requirement for server access. Implementation of Cloud based application software (allowing access via any internet capable device) and hybrid working. Business Interruption insurance in place. Hybrid and homeworking practices integrated into business as usual operating model. Emergency Planning and Business Continuity brought together to provide a combined business resilience unit. Review of corporate response to Covid-19 and concurrent events identified good practice and recommended some changes, now being implemented. Participation in county wide emergency planning exercises.
Elections: Failure of the Authority to meet its statutory duty for Elections	Reputational damage leading to intervention from Electoral Commission; misrepresentation in some Wards.	Additional Deputy Returning Officers (RO) appointed to improve capacity. Training arranged for new Chief Executive prior to taking up RO duties. External support for Individual Electoral Registration process and weekly project meetings in run-up to elections. Risk assessments for all processes; additional contingencies for core staff; additional delegation to support changes to polling stations; mutual support with other authorities.
Information management: Information is not managed in line with policy, procedure and regulatory requirements. Failure to deliver the requirements of the Data Protection Regulations.	Service outage, loss of data or commercial sensitive information, business disruption, failure to provide customer service, loss of income. Regulatory investigation by the Information Commissioner's Office (ICO); financial implications (regulatory fines). Reputational damage, damage to trust and confidence (public and partners).	Information Governance Officer in post. Senior Information Risk Owner (SIRO Mandatory data protection, ICT and GDPR e-learning for all staff. Information Governance Group established June 2022 meeting bi monthly until vesting day 2023) confirmed and lines of responsibility for Information Assets established.
Health: Health of the population worsens due to the long term impacts of the Covid-19 pandemic and impacts from cost of living crisis.	Worsening health of the population places increase strain on local services and has an impact on local labour markets.	Attendance at Cumbria Health and Wellbeing Board Working Group, Allerdale Health and Wellbeing Forum, linkage with Integrated Care Communities and lead the Allerdale Health and Wellbeing Forum. Implementation of the Resilient Communities Strategy and further investment into grass roots sport.

5. 2022-23 Budget and Medium Term Financial Strategy

5.1 The Authority's General Fund (GF) Revenue and Capital Budgets for 2022-23 were approved by Full Council in February 2022. These addressed:

- the Authority's key priorities
- changes to forecasted levels of funding
- additional service related budget pressures and savings identified through the monthly and quarterly financial monitoring
- the medium and longer-term impacts of the Covid-19 pandemic on the Authority's finances
- the financial and human resource impact of local government reorganisation
- changes to the expected timing of capital expenditure within the three-year capital programme.

Economic context

5.2 The 2022-23 budget was set in the context of:

- a challenging economic outlook, characterised by a slowdown in economic growth, persistent inflationary pressures and rising interest rates
- continued uncertainty over longer-term funding of local government, and
- the complex challenges associated with delivering local government reorganisation.

5.3 Over the last two years, the coronavirus pandemic has done huge economic and fiscal damage to the UK and global economies. For local authorities, it added to the pressures on finances that existed prior to the start of the pandemic following a period that has seen significant cuts in government funding for local authorities since 2010-11, growth in service demand and delayed reforms to the local finance framework which has created a funding landscape characterised by one-off and short-term funding initiatives and financial uncertainty that undermines longer term strategic planning.

5.4 The conclusions of the 2021 Spending Review (SR 21) were presented to Parliament on 27 October 2021 alongside the Autumn Budget. This set out central government departmental resource and capital budgets for the next three years (2022-23 to 2024-25) and the devolved administrations block grants for the same period. Following single-year Spending Reviews in 2019 and 2020, SR 21 represented the first return to multi-year statements since 2015.

5.5 The 2021 Spending review was set within the context of the forecasts for the economy and public finances from the Office for Budget Responsibility (OBR), published on 27 October 2021. Whilst noting the considerable uncertainty surrounding the post-pandemic outlook, the OBR's October forecasts highlighted a stronger than expected recovery from the economic and fiscal damage caused by the pandemic.

5.6 The 2021 Spending Review included announcement of an estimated increase in core spending power for local authorities - the amount of money local authorities have to spend from government grants, council tax, and business rates - of 3% in real-terms each year over the spending review period, alongside a series of other announcements relevant to local government. These were summarised in the 2022-23 Revenue and Capital Budget report considered by Full Council on 23 February 2023.

5.7 The Government had previously used the 2019-20 settlement announcement to reaffirm its intention to move to 75% local retention of business rates in 2020-21. Along with the Fair Funding Review (also known as the Review of Relative Needs and Resources), previously scheduled to take place in 2019, implementation was subsequently pushed back to 2021-22. However, in April 2020 the Government announced that, in order to allow councils to focus on meeting the immediate public health challenge posed by the pandemic, the Fair Funding Review and the move to 75% business rates retention, would no longer be implemented in 2021-22.

5.8 Neither SR 20 published in November 2020, or the 2021-22 local government finance settlement published in February 2021, provided further update on planned local government funding reform (fair funding review, 75% business rates retention, full reset of business rates baselines or alternative business rates retention system) or on revisions to proposed implementation dates. The government did however, announce at SR 20 that it had decided not to proceed with a reset of business rates baselines in 2021-22. No further announcements were made at SR21 or in the local government finance settlement for 2022-23 on the planned local government funding reforms.

5.9 The Government announced at Budget 2020 that it would conduct a fundamental review of the business rates system. The final report setting out the conclusions of that review was published in October 2021 alongside the Autumn Budget and Spending Review 2021. The report set out a number of measures impacting on business rates income in 2022-23 and subsequent years. These included:

- freezing the business rates multiplier for 2022-23
- introducing for 2022-23, a new temporary business rates relief of 50% for eligible retail, hospitality and leisure properties, up to a cap of £110,000 per business
- increasing the frequency of business rates revaluations from every five years to every 3 years, starting in 2023.

5.10 The provisional local government finance settlement for 2022-23 was issued on 16 December 2021, setting out the distribution of centrally allocated resources for local authorities in England. The final 2022-2023 settlement was laid before the House of Commons on 7 February 2022. The 2022-23 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. Following single year settlements in both 2020-21 and 2021-22, this represented the third consecutive one-year settlement and the first time since 2015 that, in the context of a multi-year Spending Review, the government has provided local authorities with only a single-year settlement.

5.11 Key announcements included in the local government finance settlement for 2022-23 included:

- freezing the business rates multiplier for 2022-23
- a council tax referendum limit of up to 2% or up to and including £5 (whichever is higher) above the Authority’s relevant basic amount of council tax for 2021-22 without triggering a referendum
- no changes to the New Homes Bonus scheme
- an inflationary uplift to Revenue Support Grant
- no changes to Rural Services Delivery (RSDG) allocations which remained at their 2021-22 level
- continuation of the lower tier services grant for a further year
- a new one-off un-ringfenced Services Grant incorporating funding for the additional costs arising from the increase in employer National Insurance Contributions which took effect in 2022-23.

Medium Term Financial Strategy

5.12 Whilst acknowledging the Authority would cease to exist on 1 April 2003, an indicative Medium Term Financial Strategy (MTFS) was published alongside the Authority's 2022-23 budget in February 2022. This showed that, in order for the Authority to remain financially sustainable and continue to meet its statutory obligation to deliver a balanced budget, it would need to address a funding deficit of up to £3.25m over the period 2022-23 to 2024-25.

2022-23 Revenue Budget

5.13 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.

5.14 The Authority's net revenue budget for 2022-23, inclusive of parish precepts and planned contributions to/from reserves, was set at £15,800k. The budget included recurring and non-recurring savings totalling £1.34m to offset inflationary and other growth pressures of £1.76m.

5.15 The Authority's 2022-23 revenue budget was funded as follows:

	Original £'000
Revenue support grant	207
Other government grants (including New Homes Bonus)	1,052
Council tax – including parish element	8,351
Collection fund surplus/(deficit) - Council Tax	23
NNDR funding (including s31 grant)	6,633
Collection fund surplus/(deficit) - NNDR	(3,340)
Total funding available	**12,926**
Planned use of Earmarked Reserve Balances	2,874
Use of General Fund	0
Total Funding included in budget	**15,800**

5.16 The Council's Revenue Support Grant for 2022-23 is £207,133. An increase of £6,647 (3.3%) on the amount received in 2021-22 (£200,486). The majority of this increase (£6,064) reflects an inflationary uplift of just over 3% in line with what would have been the increase to the business rates multiplier (CPI inflation for the 12 months to September 2021). The balance of the year on year increase reflects the Authority's share of the new elements being rolled into Revenue Support Grant for 2022-2023 (i.e. the Individual Electoral Registration grant (£1.1m) and the Financial Transparency of Local Authority Maintained Schools grant, £0.8m). Despite this modest increase, the amount of RSG receivable by the Authority in 2022-23, remains £4.6m lower than the amount paid to the Authority in 2013-14. A reduction of (96%).

5.17 Other government grants of £1,052k comprise the following unringfenced grants:

- New Homes Bonus £291,259 (2021-22: £261,514)
- Rural Service delivery grant £341,633 (2021-22: £341,633)
- Lower Tier Services grant £167,234 (2021-22: £155,726)
- Services grant £252,008 (2021-22: £0).

5.18 In 2022-23, having regard to the outcome of the 2022-23 budget consultation, the Authority froze Council Tax charges across all bands at their 2021-22 levels. The Authority's band D Council tax charge therefore remained at £179.72 in 2022-23. The tax base for 2022-23 (i.e. the taxable capacity of the borough) was set at 31,031.82. An increase of approximately 0.46% on the 2021-22 tax base of 30,889.76.

5.19 This resulted in total council tax income - excluding the Authority's share of the estimated surplus at 31 March 2022 - of £8,351k (2021-22: £8,119k), inclusive of parish precepts of £2,774k (2020-21: £2,567k); an increase of approximately 2.86%.

5.20 The 2022-23 budget includes estimated business rates income available to the general fund of £6,167k (inclusive of the Authority's share of estimated collection fund deficit at 31 March 2022 of £3,340k). This includes estimated grant income from central government of £3,878k to compensate the Authority for the loss of business rates income associated with certain business rate reliefs. It also includes:

- £3,334k relating to s31 grants received in 2021-22 and released from earmarked reserves in 2022-23 to offset the reduction in business rates income generated by the requirement to repay the Authority's share of the estimated 2021-22 collection fund (business rates) deficit in 2022-23
- an estimated gross levy payment of £1,132k.

2022-23 Capital Budget

5.21 The Authority's 2022-23 capital budget (approved February 2022) was set at £19,761k During the year the capital budget was increased to £25,829k to include budgets carried forward from 2021-22 of £4,601k, and expenditure associated with capital grants awarded after approval of the 2022-23 budget. These grants included £1,173k in respect of social housing decarbonisation funding and £180k from the UK Shared Prosperity Fund.

5.22 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).

5.23 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.

5.24 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).

5.25 Significant projects within the 2022-23 capital programme include:

- £1.967m relating infrastructure works at Lillyhall, Workington
- £657k for Maryport Heritage Action Zone(HAZ) schemes
- £7.918m for projects associated with the Maryport Future High Streets Initiative
- £2.589m for Disabled Facilities Grants
- £9.734m in relation to the five priority projects funded from the Workington Town Deal funding offer
- £1.173m for a programme of works to improve the energy performance of Home Housing Group's social housing stock (Social Housing Decarbonisation).

6. Financial Performance

Financial Management: Revenue expenditure compared to budget

6.1 The table below shows the Authority's actual expenditure for 2022-23 compared to budget and how that expenditure was financed. A detailed report on the 2022-23 outturn position - including commentary on reported variances will be presented to Cumberland Council's Executive on 5 September 2023.

Summary Position against Budget – 2022-23

	Budget £'000	Actual £'000	Variance £'000	Contribution to E/M Reserves £'000	Adjusted variance £'000
Finance & Legal	6,150	4,162	(1,988)	73	(1,915)
Economic Growth, Community Development & Placemaking	530	296	(234)	129	(105)
Environmental Services	3,110	2,839	(271)	54	(217)
Policy, Governance and People Resources	3,247	2,932	(315)	23	(292)
Leisure and Tourism	437	354	(83)	7	(76)
Customer Experience & Innovation	2,426	2,275	(151)	270	119
Expenditure on services[1]	**15,900**	**12,858**	**(3,042)**	**556**	**(2,486)**
Parish precepts	2,774	2,774	0	0	0
Net service expenditure	**18,674**	**15,632**	**(3,042)**	**556**	**(2,486)**
Taxation & Unringfenced grants	(12,926)	(13,324)	(398)	0	(398)
Net (surplus)/deficit for year	**5,748**	**2,308**	**(3,440)**	**556**	**(2,884)**
Use of General Fund (GF) to finance capital expenditure	13	16	3	0	0
Net charge/(credit) to GF	**5,761**	**2,324**	**(3,437)**	**556**	**(2,884)**

[1] budget includes £2,874k to be met from earmarked reserves

6.2 Net expenditure on services for the year to March 2023 was £12,858k compared to a budget (excluding planned transfers to Earmarked reserves) of £15,900k. Parish precepts paid during the year totalled £2,774k. Total income from taxation and unringfenced grants was £13,324k compared to a budget of £12,926k.

6.3 Key variances underpinning the £3,042k reported net underspend on services expenditure include:

- £708k favourable variance in respect of interest payable, interest receivable and bank charges
- £301k underspend in respect of contingencies set aside to meet pension and LGR costs
- £260k favourable variance in relation to trade waste income and recycling disposal charges
- £1,627k underspend on reserve funded projects.

6.4 Coupled with the planned use of earmarked reserves, the net underspend on services has contributed to an overall net contribution from General Fund balances (earmarked and un-earmarked) in 2022-23 of £2,324k. This movement is summarised in the following table:

Summary of movements in General Fund balances

	Budget £'000	Actual £'000	Variance £'000
Balance brought forward at 31 March 2022	**10,626**	**10,626**	**0**
Impact of adopting new accounting standards	0	0	0
Balance at 1 April 2022	**10,626**	**10,626**	**0**
Planned/actual contributions to/(from) reserves:			
Planned use of GF balance - revenue	0	890	890
Planned use of GF balance - capital	(11)	(16)	(5)
Planned contribution to Earmarked reserves - expenditure	0	0	0
Planned contribution to Earmarked reserves - funding	645	1,046	401
Planned use of Earmarked reserves - expenditure	(2,874)	(1,247)	1,627
Planned use of Earmarked reserves - funding	(3,520)	(3,553)	(33)
Requested contribution to Earmarked reserves - budget c/fwd	0	556	556
Total planned/actual contributions to/(from) reserves	**(5,760)**	**(2,324)**	**3,436**
Balance carried forward	**4,866**	**8,302**	**3,436**

6.5 Key components of the £2,324k net reduction in balances during 2022-23 include:

- a credit to unearmarked general fund balances of £890k in respect of underspends in 2022-23
- a credit to earmarked reserves of £1,046k relating to:
  - grant funding received in compensation for loss of business rates income associated with the award of Covid-19 Additional Relief Fund (CARF) support to businesses in 2022-23 (£645k)
  - the estimated value of the 2022-23 retained NNDR pool levy (£401k)
- release of £1,247k from earmarked reserves to fund expenditure in 2022-23.
- release from earmarked reserves of £3,553k to offset the reduction in business rates income generated by the requirement to repay the Authority's share of the estimated 2021-22 collection fund (business rates) deficit in 2022-23
- a credit to earmarked reserves of £556k in respect of 2022-23 budget carry-forwards.

6.6 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 the Expenditure and Funding Analysis (see note 6 to the financial statements).

Financial Management: Capital expenditure compared to budget

6.7 The following tables show capital expenditure in 2022-23 compared to 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	21,679	4,002	(17,677)	17,480	(197)
Finance & Legal	74	0	(74)	0	(74)
Policy, Governance & People Resources	3,812	2,426	(1,386)	1,371	(15)
Environmental Services	186	74	(112)	11	(101)
Leisure & Tourism	78	55	(23)	22	(1)
Total Capital Expenditure	**25,829**	**6,557**	**(19,272)**	**18,884**	**(388)**
Financing of Capital expenditure					
Capital Grants & Contributions	19,234	5,320	(13,914)	13,743	(171)
Capital Receipts	755	573	(182)	201	19
General Fund Balances	11	16	5	0	5
Borrowing	5,755	648	(5,107)	4,940	(167)
Credit Arrangements	74	0	(74)	0	(74)
Total Financing	**25,829**	**6,557**	**(19,272)**	**18,884**	**(388)**

6.8 The Authority spent £6.557m on its capital programme in 2022-23 compared to the capital budget of £25.829m. This expenditure was financed through a combination of prudential borrowing, government grants, capital receipts and contributions from General Fund balances. A further £258k of capital expenditure was financed directly from the revenue budget, bringing total capital expenditure during 2022-23 to £6.815m.

6.9 The variance between capital budget and outturn for the year was £19.272m. This variance is largely attributable to changes made to the profile of planned expenditure on schemes across financial years. These changes, identified after approval of the 2022-23 capital budget in February 2022, will require £18.884m of planned expenditure (and related budget provision) to be carried forward to 2023-24 together with the associated financing. Key elements of the underspend in 2022-23 and budget carry-forward include:

- £7.544m for projects associated with the Maryport Future High Streets Initiative
- £1.331m for Disabled Facilities Grants (mandatory and discretionary)
- £9.028m in relation to the five priority projects funded from the Workington Town Deal funding offer.

7. Financial position at the Balance Sheet date

7.1 The following table summarises the Authority's financial position at 31 March 2023:

	At 31 March 2023 £'000	At 31 March 2022 £'000	Year on Year change £'000
Non-current assets	93,286	88,479	4,807
Net current assets: debtors, stock & cash less short-term creditors & liabilities	7,057	5,373	1,684
Long-term liabilities & provisions	(15,720)	(47,348)	31,628
Net assets	**84,623**	**46,504**	**38,119**
Represented by:			
Revenue reserves (General Fund & Earmarked)	8,302	10,626	(2,324)
Other useable reserves (capital)	2,371	2,706	(335)
Unusable reserves	73,950	33,172	40,778
Total Reserves	**84,623**	**46,504**	**38,119**

Significant balance sheet movements during 2022-23

7.2 During 2022-23:

- The carrying value of the Authority's Non-current assets, including property, plant and equipment (PPE), investment property and long-term investments increased by £4,807k. Underpinning this increase is:
    - an increase in the carrying value of PPE of £4,949k, comprising a net revaluation uplift of £5,794k and additions of £1,329k, less depreciation of £2,119k, and disposals of £55k
    - a reduction in the carrying value of Investment Property of £399k, comprising a net revaluation loss of £698k, a reduction of £28k in respect of disposals less additions of £327k
    - an increase in the carrying value of Heritage Assets of £104k
    - an increase of £104k in the carrying value of long-term investment as a result of fair value gains related to the Authority's holding of AIP loan notes.
- Net current assets increased by £1,684k to £7,057k at 31 March 2023. This increase was accompanied by an improvement in the Authority's working capital liquidity ratio from 1.17 at 31 March 2022 to 1.27 at 31 March 2023. The key items underlying this increase in net current assets are:
    - a decrease in short-term debtors and prepayments of £4,212k underpinned by :
        - £3,738k decrease in amounts due from central government and major preceptors in respect of the difference between their share of Business Rates and Council tax collected and the cash payments made to them in respect of precepts and settlement of the previous year's surplus or deficit on the Collection Fund
        - £1,387k reduction in prepaid parish precepts
        - £527k increase in sundry debtor balances

    - an increase in inventory of £1,718k attributable for the most part to expenditure of £1,715k incurred during 2022-23 on highways infrastructure works carried in accordance with an agreement with Cumbria County Council under s278 of the Highways Act 1980
    - a reduction in cash and cash equivalent balances of £547k (see section 8)
    - a reduction in short-term creditors of £10,428k underpinned by a reduction of £,7611k in relation to balances associated with Covid-19 and Council tax rebate funding following the repayment and utilisation of funding, and a net reduction of £3,153k in relation to NNDR s31 grants received on account in connection with the expanded retail discount and nursery and Covid-19 Additional Relief Fund (CARF)
    - an increase in contract and other liabilities of £5,783k, attributable in large part to an increase in capital grants received in advance of £7,880k offset be a reduction in revenue grants received in advance of £2,081k
- Long-term liabilities decreased by £31,628k, underpinned by a decrease in the net defined benefit pension liability of £30,887k (see commentary below) and a reduction in long-term borrowing of £710k.

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 2022-23, revaluations were carried out on the Authority's:

- pay & display car parks
- sports & leisure centres.

7.5 The revaluation exercise resulted in the recognition of net revaluation gains of £5,794k, comprising gains of £5,516k credited to the revaluation reserve, and £278k 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 2022-23, the fair value of the Authority's investment properties fell by £698k. This reduction was underpinned by a fall in the value of retail investment properties of £850k, offset by an increase in the value vacant land and industrial sites of £116k.

Defined Benefit Pensions Asset/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 2023, the Authority's share of plan assets in the Cumbria Local Government Pension Scheme exceeded the Authority's defined benefit pension obligation (calculated in accordance with the requirements of IAS 19 and the Code of Practice on Local Authority Accounting) by £2.34m (i.e. a net pension asset). This compares with a net pension liability at 31 March 2022 of £32.04m.

7.9 Under the Code of Practice and IAS 19, measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2023, the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling for funded liabilities is calculated as £nil.

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

7.11 Underpinning the £34.38m movement in the net pension liability/asset (excluding the impact of the asset ceiling adjustment) during 2022-23 is:

- a £38.93m decrease in the defined benefit liability, reflecting
  - interest and current service costs of £6.29m,
  - contributions by scheme participants of £0.44m, less
  - remeasurements of £41.78m comprising actuarial gains associated with changes to the financial and demographic assumptions used to calculate the defined benefit liability of £50.65m and £3m respectively, less experience losses (relating to pension increases, inflation and other assumptions) of £11.87m
  - benefits paid of £3.88m
- a decrease of £4.55m in the carrying value of the Authority's share of scheme assets reflecting:
  - re-measurement losses of £5.80m, relating to the difference of £1.1m between the actual investment return on plan assets and the net interest on plan assets included in the CIES, an adjustment to reflect recalculation of the authority's share of plan assets following the 2022 actuarial valuation (£6.9m)
  - benefits paid out and administration costs of £3.94m, less
  - an increase of £5.19m relating to net interest on plan assets of £2.73m and contributions (employer and employee) of £2.46m.

Short and Long-term Borrowing

7.12 At 31 March 2023, the Authority's external borrowing (inclusive of accrued interest) stood at £15.45m (31 March 2022: £16.16m). The main component of the Authority's loan portfolio is PWLB debt of £15.37m (31 March 2022: £16.07m). During the financial year the Authority made scheduled repayments of £701k (2021-22: £692k) to the PWLB. No new PWLB borrowing was undertaken during 2022-23 (2021-22: £nil).

Revenue Reserves

7.13 At 31 March 2023, un-earmarked general fund reserves stood at £3.992m (31 March 2022: £3.106m) and earmarked revenue reserves at £4.310m (31 March 2022: £7.520m). 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.

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

General Fund (GF)	**Budget £'000**	**Actual £'000**	**Variance £'000**
Balance at 31 March 2022	3,106	3,106	0
Revenue surplus/(deficit) for year - revenue	0	(2,308)	(2,308)
Use of GF reserves to fund capital expenditure	(11)	(16)	(5)
Total Surplus/(deficit) for year	**(11)**	**(2,324)**	**(2,313)**
Transfers from/(to) Earmarked Reserves	0	3,198	3,198
Earmarked reserves released to GF	0	12	12
Net transfer (to)/from Earmarked Reserves	**0**	**3,210**	**3,210**
Balance at 31 March 2023	**3,095**	**3,992**	**897**

Earmarked Reserves (E/M)	**Budget £'000**	**Actual £'000**	**Variance £'000**
Balance at 31 March 2022	7,520	7,520	0
Transfers to/(from) General Fund:			
Use of reserves to fund revenue expenditure in year	(2,874)	(1,247)	1,627
Use of reserves to fund capital expenditure in year	0	0	0
Total used in year	**(2,874)**	**(1,247)**	**1,627**
Transfers (to)/from General Fund:	0	(12)	(12)
Planned Transfers to/(from) Earmarked Reserves	(2,875)	(2,507)	368
Additional Transfers to/(from) Earmarked Reserves	0	556	556
Total Transfers to/(from) Earmarked Reserves	**(2,875)**	**(1,963)**	**912**
Net transfer (to)/from General Fund	**(5,749)**	**(3,210)**	**2,539**
Balance at 31 March 2023	**1,771**	**4,310**	**2,539**

7.15 The total net transfer from earmarked reserves of £1,963k during 2022-23 includes:

- £3,334k release of s31 grants received and appropriated to earmarked reserves in 2021-22, to offset the reduction in business rates income generated by the requirement to repay, in 2022-23, the Authority's share of the estimated 2021-22 Collection Fund deficit that arose following extension of the Retail, Hospitality & Leisure and Nursery discount schemes in 2022-23
- £645k transfer to earmarked reserves in respect of s31 grant received in compensation for the reduction in business rates income associated with the

award of Covid-19 Additional Relief Fund (CARF) support to businesses affected by the pandemic. The s31 grant received in 2022-23 in respect of reliefs awarded under the CARF scheme, will be released in 2023-24 to offset the corresponding reduction in business rates income generated by the requirement to repay, in 2022-23, the Authority's share of the estimated 2022-23 Collection Fund deficit arising from the award of CARF relief in 2022-23.

7.16 The total net transfer from Earmarked Reserves (£1,963k) also includes transfers to Earmarked Reserves of £556k in respect of amounts set aside from unspent budgets during 2022-23, and £401k relating to the estimated value of the 2022-23 retained NNDR pool levy, offset by the release of £219k to the General Fund in respect of the 2021-22 retained levy.

7.17 The General Fund balance at 31 March 2023 of £3,992k incorporates the Authority's agreed minimum retained balance of £2,700k held to provide a contingency to protect services against unexpected events or emergencies, cushion uneven cash flows and avoid unnecessary temporary borrowing.

7.18 All usable reserves of Allerdale Borough Council transferred to Cumberland Council on 1 April 2023.

Other usable reserves

7.19 Other usable reserves comprise Capital Receipts Unapplied and Capital Grants Unapplied. During the year the Authority generated capital receipts of £134k from the sale of property and repayment of capital grants. Capital receipts of £573k were applied to finance the 2022-23 capital programme. The balance of capital receipts at 31 March 2023 is £797k. After deducting ring-fenced receipts of £45k, £202k of the remaining balance has been committed to fund capital expenditure in 2023-24. This leaves £550k available for allocation.

7.20 At 1 April 2022, the balance of capital grants unapplied was £1,470k. Capital grants received in advance at the beginning of the financial year totalled £6,213k. During the year capital grants of £13,277k (excluding asset transfers and capital grants recognised in the revenue outturn) were received/receivable by the Authority. This included:

- £1,378k Disabled Facilities Grant
- £4,660k Future High Streets Grant
- £5,415k Towns Deal Funding, and
- £1,386k Levelling Up Funding.

7.21 A total of £5,428k was applied to finance capital expenditure in 2022-23 (including £108k relating to capital expenditure included in the revenue outturn and s106 contributions of £27k) leaving a balance of £15,667k. This comprises capital grants received in advance of £14,093k, and capital grants unapplied (reserve balance) of £1,574k.This balance is committed to finance capital expenditure in 2023-24 and subsequent years.

8. Cash flows

8.1 During 2022-23, the net decrease 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 £547k.

	2022/23 £'000	2021/22 £'000
Net Cash Flows from Operating Activities	(5,932)	(1,761)
Net Cash Flows from Investing Activities	9,374	4,702
Net Cash Flows from Financing Activities	(3,989)	8,663
Net increase/(decrease) in Cash & Cash Equivalents	**(547)**	**11,604**

8.2 The net cash outflow from operating activities totalled £5,932k. This compares with a net cash outflow of £1,761k in 2021-22. The key items underpinning both the net cash outflow from operating activities during 2022-23 (£5,932k) and the year on year change in operating cash flows of £4,171k are:

- net surplus or (deficit) on the provision of services - £143k surplus (2021-22: £889k deficit)
- adjustments for non-cash items included in surplus or (deficit) on the provision of services including:
    - an increase in inventories of £1,718k (2021-22: £93k)
    - a decrease in creditors of £6,487k (2021-22: £3,945k decrease)
    - movement in fair value of investment properties (revaluation loss) of £698k (2021-22: £380k revaluation gain)
    - capital grants credited to surplus or deficit on the provision of services of £2,706k (2021-22: £1,436).

8.3 The movement in inventory balances of £1,718k is attributable for the most part to expenditure of £1,715k incurred on highways infrastructure works carried in accordance with an agreement with Cumbria County Council under s278 of the Highways Act 1980.

8.4 Underlying the £6,487k reduction in short-term creditors is:

- a £3,202k decrease in receipts in advance underpinned by a reduction in revenue grants received in advance (including capital grants funding revenue expenditure funded from capital under statute) of £3,213k
- a £3,285k reduction in creditors, underpinned by a reduction of £3,153k in respect of the balance of on-account payments of transitional protection payments and s31 grant received by the Authority to:
    - compensate it for the loss of business rates income generated by the extension of the extension of the Retail, Hospitality & Leisure and Nursery discount schemes in 2022-23
    - address the in-year cash flow implications of new and extended reliefs.

8.5 Significant cash flows underpinning the net cash outflow from investing activities of £9,734k (2021-22 £4,702k) include, cash outflows of £1,954k associated with the purchase of property plant and equipment and investment property and cash inflows of £11,231k from the receipt of capital grants.

8.6 Net cash outflow from financing activities of £3,989k comprise:

- a net cash inflow of £4,323k (2021-22: £3,921k inflow) associated with payments made to/from central government and major preceptors, in respect of precepts and settlement of the previous year's surplus or deficit on the Collection Fund, and their respective shares of council tax and business rates collected
- a cash outflow of £701k (2021-22: £692k) relating to scheduled loan repayments
- a cash outflow of £7,611k (2021-22 £5,434k inflow) relating to the balance of funding received in advance, in respect of Council Tax Rebate & Energy Support Funding and various business support schemes implemented by central government in response to the Covid-19 pandemic and administered by the Authority.

9 Collection Fund

9.1 Overall council tax income receivable in 2022-23 increased by £2.15m (3.4%) when compared to 2021-22. This was underpinned by increases in the band D council tax charge levied by the Cumbria County Council and Police and Crime Commissioner of £29.96 (2%) and £9.99 (3.67%) respectively, coupled with an average increase in the parish element of the Band D charge of £6.27 (7.54%). The remainder of the growth reflects changes to the Council tax base and the value of discounts, reductions, exemptions and reliefs awarded to local taxpayers.

9.2 Total precepts paid from the Collection Fund to major preceptors (Allerdale Borough Council, Cumbria County Council and Police and Crime Commissioner for Cumbria) increased from £62.8m in 2021-22 to £64.5m. This increase reflects a combination of the increase in the Council tax base, increases in the council tax charge levied by the Cumbria County Council and Police and Crime Commissioner and the increase in parish precepts included in the precept sum paid to Allerdale Borough Council.

9.3 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 the immediate impact of in year fluctuations in the amount of council tax collected, it also 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 At 31 March 2023, the cumulative deficit on the Collection Fund in respect of council tax was £114k. The Authority's share of that deficit is £14k. This compares with a cumulative deficit at 31 March 2022 of £252k. During 2022-23, council tax income receivable exceeded precept payments and distribution of the estimated 2021-22 surplus by £800k. This was offset by the value of write-offs and other amounts set aside to meet uncollectable debt (allowance for impairment) of £662k. Compared to 2021-22, the value of write-offs and other amounts set aside to meet uncollectable debt increased by £93k, reflecting an increase in arrears written off during the year, offset by a reduction in the movement in the allowance for impairments charged to the collection fund as a result of changes in the overall level of arrears and the age profile of that debt.

Business Rates (NNDR)

9.5 In 2022-23, business rates receivable increased by £3,286k compared to 2021-22 as the impact of reliefs (most notably the retail and nursery discount schemes) introduced in response to the pandemic were scaled back further (retail discount relief awarded in 2022-23 fell by around £1.9m compared to 2021-22).

9.6 As with council tax, the Authority’s demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year, based on estimates for the forthcoming year and included in the government return NNDR 1. Amounts paid to Cumbria County Council and central government in respect of their respective shares of business rates income are similarly fixed prior to the outset of each year. As a consequence, any difference between estimated amounts and the actual amounts receivable will result in a surplus or deficit on the Council’s Collection Fund.

9.7 During 2020-21, central government introduced several additional and extended business rates reliefs in response to the Covid-19 pandemic. This included the increased and expanded Retail Discount Scheme that provided 100% relief for eligible businesses in the Retail, Hospitality & Leisure sectors and the Nursery Discount Scheme. At Budget 2021 (3 March 2021), the government announced these reliefs would be extended into the first quarter of 2021-22 and would then continue at a reduced level of 66% (with the 66% scheme subject to a cap on the amount of relief that could be claimed per business).

9.8 Extension of the retail and nursery discount schemes in 2021-22 resulted in a significant reduction in the amount of business rates collected from ratepayers during 2021-22 when compared with the estimates reported on form NNDR 1. This in turn contributed to the significant Collection Fund deficit reported at 31 March 2022. At 31 March 2022, the deficit in respect of business rates stood at £8,181k. The Authority’s share of that deficit was £3,272k. This compares with an estimated deficit included on form NNDR 1 and repaid to the Collection Fund in 2022-23 of £8,348k, The Authority’s share of the 2021-22 estimated deficit was £3,340k.

9.9 The Authority was compensated for the loss in business rates income arising from the extension of these reliefs in 2021-22 by way of additional section 31 grant credited to the Authority’s general fund. In line with the revised budget for 2021-22, the additional section 31 grant received in 2021-22 was transferred to an earmarked reserve and released to the General Fund in 2022-23, to offset the reduction in business rates income generated by the requirement to repay the Authority’s share of the estimated 2021-22 collection fund deficit in 2022-23.

9.10 Consistent with the estimates of business rate income for 2022-23 reported to government on form NNDR 1 prior to the start of the year, total payments made from the Collection Fund to Allerdale Borough Council, Cumbria County Council and Central government fell by £3,883k from £29,198k in 2021-22 to £25,315k in 2022-23. This year on year fall reflects, in large part ,the impact of the extension of the retail and nursery discount schemes after the submission of NNDR 1 estimates for 2021-22.

9.11 As part of its Covid-19 response, the Government announced in March 2022, a new Covid-19 Additional Relief Fund (CARF) to support businesses affected by the pandemic but ineligible for existing support linked to business rates. Under the scheme, billing authorities were responsible for administering the support (in the form of discretionary relief against 2021-22 business rate liabilities) and were reimbursed by Government by way of a grant under Section 31 of the Local Government Act 2003. The Authority’s CARF funding allocation of £1,628,473 was received in March 2022.

9.12 Although the award of CARF relief was restricted to reducing chargeable amounts in respect of 2021-22, relief was permitted in 2022-23 provided it is in respect of a 2021-22 liability. Total CARF relief awarded in 2022-23 was £1,463,523.

9.13 Whilst the award of CARF relief reduced collectable rates in 2022-23, the fixed elements of NNDR income (based on the NNDR1 returns for 2022-23) paid from the Collection Fund to the Authority's General Fund and to Precepting Bodies in 2022-23 were unaffected. However, the resulting reduction in collectable rates contributed to a deficit on the Collection Fund at 31 March 2023. This deficit is repayable to the Collection Fund in 2023-24. To offset this repayment, the additional s31 grant received in 2022-23 in respect of reliefs awarded under the CARF scheme, was transferred to an earmarked general fund reserve in 2022-23 and will be released in 2023-24 to offset the corresponding reduction in business rates income.

9.14 At 31 March 2023, the cumulative deficit on the Collection fund in respect of business rates was £1,375k. The Authority's share of that deficit is £550k (40%).

9.15 Compared to 2021-22, in-year collection rates in respect of current year debt fell marginally for both council tax (from 96.9% to 96.8%) and business rates (from 98.7% to 98.3%). Whilst the 2022-23 collection rate for business rates exceeded collection rates achieved prior to the pandemic, the council tax collection rate remains marginally below the average collection rate of 97.44% achieved in the four years prior to the pandemic.

9.16 During the year to March 2023, total gross council tax arrears increased from £5.43m to £5.67m while business rates arrears increased from £604k to £833k. This resulted in an overall net increase in the Authority's share of council tax and business rates arrears over the course of 2022-23 of £120k.

10. The Financial Statements

10.1 The Statement of Accounts summarises the Authority's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, supported by International Financial Reporting Standards (IFRS).

10.2 The Statement of Responsibilities for the Statement of Accounts (page 30) sets out the responsibilities of the Authority and Authority's Chief Financial Officer 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 38)

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 39)

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 40)

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 41)

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 124)

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 128)

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 G18 and G19 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 Chief Financial Officer
- 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 Chief Financial Officer's Responsibilities

The Chief Financial Officer (the Section 151 Officer) 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 Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer

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 2023.

Catherine Bell FCCA **Dated:** 17 September 2024
Chief Finance Officer (Section 151 Officer)
Cumberland Council (as successor to Allerdale Borough Council)

[4] Audit Committee Approval

These statements were considered and approved by the Audit Committee on 17 September 2024 .

Councillor Lucy Patrick **Dated:** 17 September 2024
Chair of the Cumberland Council Audit Committee
(as successor to Allerdale Borough Council)

Grant Thornton

Independent auditor's report to the members of Cumberland Council in respect of Allerdale Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Allerdale Borough Council (the 'Authority') and its subsidiaries and joint venture for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, 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 2022/23.

In our opinion, the financial statements:

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

Basis for opinion

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

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements, which indicates that Allerdale Borough Council ceased to exist from 1 April 2023. The existing functions of the Authority along with all property, rights, liabilities and financial reserves transferred to Cumberland Council.

Conclusions relating to going concern

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

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

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts 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 and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 30 of the financial statements, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

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

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

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

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risk was in relation to management override of internal controls.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals, post year-end journals, accrual journals around year-end, journals associated with Local Government Reorganisation and journals posted by senior management;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and investment property valuations and the defined benefit pension fund net liability valuation; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue recognition, significant accounting estimates related to property, plant and equipment and Pension valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

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

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

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

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

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

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

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

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

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

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

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

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

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

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Allerdale Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

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

Michael Green

Michael Green,
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester

19 September 2024

Comprehensive Income and Expenditure Statement

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 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.

		2022/23			2021/22		
	Note	Exp. £'000	Inc. £'000	Net £'000	Exp. £'000	Inc. £'000	Net £'000
Finance & Legal		3,138	(744)	2,394	7,027	(2,895)	4,132
Economic Growth, Community Development & Placemaking		5,438	(2,394)	3,044	4,659	(2,136)	2,523
Environmental Services		11,369	(7,380)	3,989	11,566	(7,476)	4,090
Policy, Governance & People Resources		7,527	(4,471)	3,056	5,679	(3,241)	2,438
Leisure & Tourism		1,021	(438)	583	831	(341)	490
Customer Experience & Innovation		18,823	(16,162)	2,661	18,908	(16,097)	2,811
Cost of Services		**47,316**	**(31,589)**	**15,727**	**48,670**	**(32,186)**	**16,484**
(Gains)/losses on disposal of non-current assets	8			15			0
Parish council precepts				2,774			2,567
Other Operating Expenditure				**2,789**			**2,567**
Financing and Investment Income & Expenditure	9			**153**			**(436)**
Capital grants & contributions	10			(2,706)			(1,436)
Unringfenced revenue grants	10			(5,786)			(7,164)
Council tax income	10			(8,392)			(8,116)
Non-domestic rates income & expenditure	10			(1,928)			(1,010)
Taxation and non-specific grant income & expenditure				**(18,812)**			**(17,726)**
(Surplus) or Deficit on Provision of Services				**(143)**			**889**
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services							
(Surplus)/deficit on revaluation of non-current assets				(5,493)			(3,027)
Remeasurement of the net defined benefit liability	32			(32,483)			(7,527)
Other Comprehensive Income & Expenditure				**(37,976)**			**(10,554)**
Total Comprehensive Income & Expenditure				**(38,119)**			**(9,665)**

Movement in Reserves Statement

The Movement in Reserves 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.

2022/23	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 2022	**10,626**	**1,236**	**1,470**	**13,332**	**33,172**	**46,504**
Surplus or (deficit) on provision of services	143	0	0	**143**	0	**143**
Other Comprehensive Income and Expenditure	0	0	0	**0**	37,976	37,976
Total Comprehensive Income and Expenditure	**143**	**0**	**0**	**143**	**37,976**	**38,119**
Adjustments between accounting basis & funding basis under regulations (note 15)	(2,467)	(439)	104	**(2,802)**	2,802	**0**
Net Increase/(Decrease) in Year	**(2,324)**	**(439)**	**104**	**(2,659)**	**40,778**	**38,119**
Balance at 31 March 2023	**8,302**	**797**	**1,574**	**10,673**	**73,950**	**84,623**

[1] The general fund balance at 31 March 2023 comprises earmarked balances of £4,310k (31 March 2022: £7,520k) and un-earmarked general fund balance of £3,992k (31 March 2022: £3,106k).

2021/22	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 2021	**13,628**	**862**	**863**	**15,353**	**21,486**	**36,839**
Surplus or (deficit) on provision of services	(889)	0	0	**(889)**	0	**(889)**
Other Comprehensive Income and Expenditure	0	0	0	**0**	10,554	10,554
Total Comprehensive Income and Expenditure	**(889)**	**0**	**0**	**(889)**	**10,554**	**9,665**
Adjustments between accounting basis & funding basis under regulations (note 15)	(2,113)	374	607	**(1,132)**	1,132	**0**
Net Increase/(Decrease) in Year	**(3,002)**	**374**	**607**	**(2,021)**	**11,686**	**9,665**
Balance at 31 March 2022	**10,626**	**1,236**	**1,470**	**13,332**	**33,172**	**46,504**

[1] The general fund balance at 31 March 2022 comprises earmarked balances of £7,520 (31 March 2021: £10,460k) and un-earmarked general fund balance of £3,106k (31 March 2021: of £3,168k).

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 covers 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 31/03/23 £’000	At 31/03/22 £’000
Property, Plant & Equipment	18	66,561	61,612
Heritage Assets	19	1,269	1,165
Investment Property	20	24,724	25,123
Intangible Assets	-	81	32
Long-term Investments	23	651	547
Defined Benefit Pension Scheme	32	0	0
Long-term (Non-Current) Assets		**93,286**	**88,479**
Inventory	24	2,437	719
Short-term Debtors	25	7,893	10,686
Prepayments	-	392	1,811
Cash and Cash Equivalents	27	22,653	24,329
Current Assets		**33,375**	**37,545**
Bank Overdraft	27	0	(1,129)
Short-term Borrowing	28	(991)	(986)
Short-term Creditors	29	(8,653)	(19,081)
Contract and Other liabilities	30	(15,672)	(9,889)
Provisions	31	(1,002)	(1,087)
Current Liabilities		**(26,318)**	**(32,172)**
Provisions	31	(105)	(136)
Long-term Borrowing	28	(14,460)	(15,170)
Defined Benefit Pension Scheme	32	(1,155)	(32,042)
Long-term Liabilities		**(15,720)**	**(47,348)**
Net Assets		**84,623**	**46,504**
Usable Reserves	16	10,673	13,332
Unusable Reserves	17	73,950	33,172
Total Reserves		**84,623**	**46,504**

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer (Section 151 Officer), on 29 September 2023.

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	2022/23 £'000	2021/22 £'000
Net surplus or (deficit) on the provision of services	-	143	(889)
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	34	(3,256)	694
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(2,819)	(1,566)
Net cash flows from Operating Activities		**(5,932)**	**(1,761)**
Net cash flows from Investing Activities	35	9,374	4,702
Net cash flows from Financing Activities	36	(3,989)	8,663
Net increase or (decrease) in cash and cash equivalents		**(547)**	**11,604**
Cash and cash equivalents at the beginning of the reporting period	27	23,200	11,596
Cash and cash equivalents at the end of the reporting period	27	**22,653**	**23,200**

1. Statement of Accounting Policies – Basis of Preparation

Single entity (Authority only) accounts

The Statement of Accounts summarises the Authority's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The Accounts and Audit (England) Regulations 2015 (as amended) 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 2022-23 (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.

Under the provisions of the Cumbria (Structural Changes) Order 2022, Allerdale Borough Council was abolished on 1 April 2023. On that date all existing functions of the Authority along with all property, rights, liabilities and financial reserves, vested in and transferred to Cumberland Council. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not however negate the presumption of going concern. Therefore, in accordance with the Code, the 2022-23 Statement of Accounts have been prepared on a going concern basis.

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 2022-23

The 2022-23 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 2022:

Narrow Scope Amendments to IFRS:

- Annual Improvements to IFRS 2018-2020 - Minor amendments to IFRS 1, IFRS 9 and IAS 41. Amendment to Illustrative Examples accompanying IFRS 16.
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- Amendment to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract

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

Annual Improvements to IFRS 2018 - 2020

The Annual Improvements to IFRS 2018 - 2020 include amendments to four standards:

IFRS 1 - First-time adoption

The amendment to IFRS 1 provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.

As a result of the amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) can now also elect to measure (in its own financial statements) cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendment is effective for annual periods beginning on or after 1 April 2022.

Application of this amendment has not impacted on amounts previously recognised in the Authority's single entity or group financial statements.

IFRS 9 - Financial Instruments

The amendment to IFRS 9 clarifies the fees that an Authority includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (thereby requiring derecognition of the existing financial liability and recognition of a new financial liability). In determining those fees paid net of fees received, a borrower includes only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual periods beginning on or after 1 April 2022 and applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Authority first applies the amendment.

Application of this amendment has not impacted on amounts previously recognised in the Authority's single entity or group financial statements.

IFRS 16 – Leases - Amendment to Illustrative Examples accompanying IFRS 16

The amendment to Illustrative Example 13 accompanying IFRS 16 removes, from the example, the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 - Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41 using a present value technique. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment applies prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 April 2022.

Application of the amendment to IAS 41 has not impacted on the Authority's single entity or group financial statements.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

IAS 16 - Property, Plant and Equipment (PPE) and the Code requires an item of Property, Plant and Equipment to be initially measured at cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Prior to the amendments, directly attributable costs included costs of testing the asset 'after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition'.

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead the sales proceeds and related costs will be recognised in surplus or deficit on the provision of services. The proceeds and costs of those items should be recognised in accordance with IFRS 15 - Revenue from Contracts with Customers and IAS 2 - Inventories respectively.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the Comprehensive Income and Expenditure Statement, the amendments require an authority to disclose the amounts of proceeds and cost included in surplus or deficit on the provision of services that relate to items produced that are not an output of the authority's ordinary activities, and which line item(s) in the Comprehensive Income and Expenditure Statement include(s) such proceeds and cost.

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Authority first applies the amendments.

The Authority is required to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of reserves at the beginning of that earliest period presented.

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

Amendment to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

IAS 37 (as adapted by the Code) defines an onerous contract as a contract 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. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after 1 April 2022 and apply to contracts for which the Authority has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Comparatives are not restated. Instead, the Authority is required to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of reserves at the date of initial application.

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

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 2023 by £1,134,140 (31 March 2022: £1,134,140)
- reduce the balance of group reserves at 31 March 2023 by £1,134,140 (31 March 2022: £1,134,140).

Non-consolidation of the Helena Thompson Museum would:

- reduce the carrying amount of non-current assets at 31 March 2023 by £1,151,667 (31 March 2022: £1,170,975)
- increase the carrying amount of current liabilities by £12,361 (31 March 2022: £12,361)
- reduce the balance of group reserves at 31 March 2023 by £1,164,028 (31 March 2022: £1,183,336).

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 2023 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 an asset is reduced, depreciation increases and the carrying amount of the asset falls. Based on remaining asset lives, it is estimated that the annual depreciation charge for operational assets will increase by £594,123 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions	The Authority's balance sheet at 31 March 2023 includes provisions totalling £1,106,613 (31.3.22: £1,223,065). This includes: • £861,301 (31.3.21: £929,852) in respect of the Authority's share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list • £63,757 (31.3.22: £77,352) in respect of insured liabilities including £50,410 (31.3.22: £42,699) relating to the estimated liability for incidents incurred but not yet reported to the insurer or the Authority • a legal claims provision of £134,482 (31.3.22: £168,788) • other provisions of £47,073 (31.3.22 £47,073).	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 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/Asset	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 32. During 2022-23, the Authority's actuary advised that the net pension liability decreased by £34.385m (2021-22: £5.867m). Moving from a net liability of £32,042m to a net asset of £2.343m (excluding the asset ceiling adjustment). This movement includes: • a decrease of £41.776m (2021-22 £0.644m decrease) as a result of experience gains/losses and re-measurements associated with changes in financial and demographic assumptions • an increase of £5.795m (2021-22: £6.883m decrease) arising from re-measurement gains on plan assets.
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	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.

Item	Uncertainties	Effect if actual results differ from assumptions
	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).	
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 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) approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings.
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 of financial assets/liabilities.

5. Impact of New Accounting Standards not yet Adopted

5.1 Changes to the 2023-24 Code of Practice on Local Authority Accounting

The 2023-24 Code of Practice on Local Authority Accounting – applicable to financial years commencing on or after 1 April 2023 – 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 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 - Reference to the Conceptual Framework.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 - Making Materiality Judgements.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material.

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that:

- accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and does not need to be disclosed.
- if an entity discloses immaterial accounting policy information, such information must not obscure material accounting policy information.

To support the amendments to IAS1, the IASB also amended IFRS Practice Statement 2 - Making Materiality Judgements to provide non mandatory guidance on the application of the definition of materiality to accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 and are applied prospectively. As the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued Definition of Accounting Estimates, Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

Measurement uncertainty will arise when monetary amounts required to apply an accounting policy cannot be observed directly. In such cases, accounting estimates will need to be developed using judgements and assumptions.

The amendments also clarify:

- the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors
- how entities use measurement techniques and inputs to develop accounting estimates.

A change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period (i.e. the accounting period in which the amendments are first adopted). Application of these amendments are not expected to have a material impact on the Authority’s single entity or group financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued Deferred Tax relating to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12 Income Taxes on 7 May 2021.

Under IAS 12 an entity is exempt from recognising a deferred tax liability when it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, it has no effect on either accounting or taxable profits.

However, the amendment to IAS 12 Income Taxes introduces an exception to this exemption when the transaction gives rise to equal taxable and deductible temporary differences. For example, an entity applying IFRS 16 will recognise a right-of-use asset and lease liability at the commencement of a lease, which may give rise (depending on the local jurisdiction) to equal taxable and deductible temporary differences. The amendment clarifies that for leases and other similar transactions, such as decommissioning liabilities, the initial recognition exemption does not apply.

For transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, an entity is therefore required to recognise the related deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and deferred tax liability. An illustrative example has been added to the standard that explains how the amendments are applied.

The amendments are effective for annual periods beginning on or after 1 January 2023. These amendments do not apply to local authority single entity statements but may apply to local authority group accounts.

Where applicable, the amendments apply prospectively to all transactions – other than those relating to leases and decommissioning obligations – that occur from the beginning of the earliest comparative period presented. Entities are required to apply the amendments to leases and decommissioning, restoration and similar obligations for the first time by recognising related deferred tax assets and liabilities for all related deductible and taxable temporary differences at the beginning of the earliest comparative period presented, with the cumulative effect of initially applying the amendments recognised as an adjustment to the opening balance of reserves as appropriate.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;

The amendments also add to IFRS 3:

- a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities assumed in a business combination, and
- an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments apply prospectively to transactions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022. The amendments were not however included in the consultation on the 2022-23 Code.

5.2 Update on the implementation of IFRS 16: Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases in the financial statements for both lessors and lessees. Effective for annual periods beginning on or after 1 January 2019, the standard introduces:

- a new definition of a lease
- a single on-balance sheet lessee accounting model that – with some limited exemptions for short-term leases and leases of low-value assets – will apply to all leases
- significant new and more extensive disclosures.

For lessees, IFRS 16 removes the previous (IAS 17) classifications of operating and finance leases. It introduces a single, on-balance sheet, lease accounting model (similar to the accounting for finance leases under IAS 17) requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will be required to recognise:

- a right-of-use asset representing the right to use the underlying asset during the lease term
- a lease liability representing its obligation to make lease payments.

The lease liability is initially measured at the present value of the future lease rental payments discounted using the interest rate implicit in the lease, or the Authority’s incremental borrowing rate if the rate implicit in the lease cannot be readily determined. Subsequent to initial measurement, lease liabilities are measured at amortised cost using the effective interest rate method. Lessees will also be required to re-measure the lease liability on the occurrence of certain events (e.g. as a result of a change in the expected lease term or the rate or index used to determine contingent payments). When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount of the remeasurement is recognised in the surplus or deficit on the provision of services.

At initial recognition, the right-of-use asset is measured at cost. Where a right-of-use asset is acquired at a peppercorn or for nominal lease payments, or for nil consideration, the right-of-use asset is measured at its fair value as at the commencement date of the lease. Subsequent to initial recognition, the Code will require right-of-use assets classified:

- to a class of property, plant and equipment to be measured at current (or fair) value using the cost model as a proxy for current (fair) value, other than in those circumstances where the Code deems use of the cost model as a proxy for current value to be inappropriate
- as investment property to be measured at fair value.

In applying the cost model, the carrying amount of the right-of-use asset is adjusted for any accumulated depreciation, any accumulated impairment losses, and any remeasurement of the lease liability.

For lessors, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The requirements of IFRS 16, as adopted by the Code, apply retrospectively with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of reserves at the date of initial application. Comparative information is not restated.

For leases previously classified as operating leases under IAS 17, implementation of IFRS 16 will require the Authority to recognise, as lessee, a lease liability and right-of-use asset (including the recognition, at fair value, of a right of use asset in respect of a lease for nil or nominal consideration) at the date of initial application unless:

- the lease term ends within 12 months of the date of transition
- the underlying asset is of low value and the Authority has elected to take advantage of the recognition exemption, allowing lease payments associated with such leases to be recognised as an expense over the lease term
- the Authority accounts for investment property using the fair value model in section 4.4. of the Code and IAS 40: Investment Property.

As IFRS 16 does not introduce any significant changes to the lessor accounting model, implementation is not expected to have a significant impact on the amounts previously recognised in the Authority's single entity or group accounts.

In December 2020 the CIPFA LASAAC Local Authority Accounting Code Board announced that planned implementation of IFRS 16 - Leases, into the Code of Practice on Local Authority Accounting, would be deferred until the 2022-23 financial year. This announcement followed the earlier decision made by CIPFA LASAAC in March 2020, to defer implementation from 1 April 2020 to 1 April 2021.

Following an emergency consultation during February and March 2022 on proposals for changing the Code of Practice on Local Authority Accounting for 2021-22 and 2022-23, CIPFA LASAAC issued a further statement in April 2022 deferring the mandatory implementation of IFRS 16 - Leases until 1 April 2024. However, both the 2022-23 and the 2023-24 Codes allow for the adoption of IFRS 16 on a voluntary basis from 1 April 2022 or 1 April 2023.

An initial assessment of the impact of IFRS 16 was carried out by the Authority in 2021-22 ahead of the previously expected implementation date of 1 April 2022. However, following CIPFA LASAAC's latest statement on IFRS 16 and, having regard to the Authority's ongoing involvement with local government reorganisation in Cumbria, and the preparedness of existing sovereign authorities to implement IFRS 16 in 2022-23, a collective decision was taken by sovereign authorities not to implement IFRS 16 prior to Vesting Day on 1 April 2023.

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	2022/23 Net Expenditure chargeable to General Fund (GF) Balances (statutory basis) £'000	Adjustments between the Funding and Accounting Basis Note 6.1a £'000	Net Expenditure in Comprehensive Income & Expenditure Statement (accounting basis) £'000
Finance & Legal	4,162	(1,768)	2,394
Economic Growth, Community Development & Placemaking	296	2,748	3,044
Environmental Services	2,839	1,150	3,989
Policy, Governance & People Resources	2,932	124	3,056
Leisure & Tourism	354	229	583
Customer Experience & Innovation	2,275	386	2,661
Net Cost of Services	**12,858**	**2,869**	**15,727**
Other Operating Expenditure	2,774	15	2,789
Financing & Investment Income & Expenditure	0	153	153
Capital expenditure financed from GF Bal.	16	(16)	0
Taxation & non-ringfenced grants	(13,324)	(5,488)	(18,812)
Other Income and Expenditure	**(10,534)**	**(5,336)**	**(15,870)**
(Surplus) or Deficit on the General Fund	**2,324**	**(2,467)**	**(143)**
Opening General Fund Balance	(10,626)		
Impact of adopting new accounting standards	0		
(Surplus) or Deficit on General Fund in Year	2,324		
Closing General Fund Balance at 31 March	**(8,302)**		

Executive Portfolio	2021/22 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	5,777	(1,645)	4,132
Economic Growth, Community Development & Placemaking	13	2,510	2,523
Environmental Services	2,518	1,572	4,090
Policy, Governance & People Resources	2,732	(294)	2,438
Leisure & Tourism	361	129	490
Customer Experience & Innovation	2,439	372	2,811
Net Cost of Services	**13,840**	**2,644**	**16,484**
Other Operating Expenditure	2,567	0	2,567
Financing & Investment Income & Expenditure	0	(436)	(436)
Capital expenditure financed from GF Bal.	0	0	0
Taxation & non-ringfenced grants	(13,405)	(4,321)	(17,726)
Other Income and Expenditure	**(10,838)**	**(4,757)**	**(15,595)**
(Surplus) or Deficit on the General Fund	**3,002**	**(2,113)**	**889**
Opening General Fund Balance	(13,628)		
Impact of adopting new accounting standards	0		
(Surplus) or Deficit on General Fund in Year	3,002		
Closing General Fund Balance at 31 March	**(10,626)**		

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:

2022/23	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	(219)	(1,139)	(385)	(25)	(1,768)
Economic Growth, Community Development & Placemaking	1,475	1,054	237	(18)	2,748
Environmental Services	0	1034	120	(4)	1,150
Policy, Governance & People Res.	0	(139)	304	(41)	124
Leisure & Tourism	0	161	65	3	229
Customer Experience & Innovation	0	18	387	(19)	386
Net Cost of Services	**1,256**	**989**	**728**	**(104)**	**2,869**
Other Operating Expenditure	0	15	0	0	15
Financing and Investment Income and Expenditure	(1,256)	553	868	(12)	153
Capital expenditure charged to General Fund Balances	0	(16)	0	0	(16)
Taxation & non-ringfenced grants	0	(2,706)	0	(2,782)	(5,488)
Other income and expenditure from Expenditure and Funding Analysis	**(1,256)**	**(2,154)**	**868**	**(2,794)**	**(5,336)**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**(1,165)**	**1,596**	**(2,898)**	**(2,467)**

2021/22	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	(642)	(1,090)	98	(11)	(1,645)
Economic Growth, Community Development & Placemaking	1,535	739	248	(12)	2,510
Environmental Services	0	1,707	(134)	(1)	1,572
Policy, Governance & People Res.	0	(581)	267	20	(294)
Leisure & Tourism	0	74	51	4	129
Customer Experience & Innovation	0	28	356	(12)	372
Net Cost of Services	**893**	**877**	**886**	**(12)**	**2,644**
Other Operating Expenditure	0	0	0	0	0
Financing and Investment Income and Expenditure	(893)	(305)	774	(12)	(436)
Capital expenditure charged to General Fund Balances	0	0	0	0	0
Taxation & non-ringfenced grants	0	(1,436)	0	(2,885)	(4,321)
Other income and expenditure from Expenditure and Funding Analysis	**(893)**	**(1,741)**	**774**	**(2,897)**	**(4,757)**
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**(864)**	**1,660**	**(2,909)**	**(2,113)**

(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.

	2022/23 £'000	2021/22 £'000
Deminimis receipts from disposal of non- current assets	5	0
Interest payable & similar charges	(821)	(840)
Interest & investment income	633	240
Income & expenditure relating to investment properties	1,470	1,530
Impairment of financial assets	(31)	(37)
Reallocation from service expenditure to financing & investment income & expenditure	**1,256**	**893**

(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 the 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 Expenditure line item 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.

	2022/23 £'000	2021/22 £'000
Depreciation, amortisation, impairment and revaluation	1,869	2,249
Revenue expenditure funded from capital under statute	3,561	1,322
Capital grants & contributions credited to cost of services	(3,124)	(1,553)
Capital receipts arising on repayment of grants	(26)	(15)
Statutory provision for the financing of capital investment (MRP)	(1,118)	(1,126)
(Gains)/losses on sale of non-current assets (PPE)	15	0
Changes in the fair values of investment properties	698	(380)
(Gains) or losses on disposal of investment properties	(40)	(102)
Non-ringfenced capital grants, contributions and donations	(2,706)	(1,436)
Use of General Fund & Earmarked balances to finance capital expenditure	(166)	0
Movement in fair value of investments (capital debtor)	(105)	177
Revaluation adjustment in respect of prior year	(23)	0
	(1,165)	**(864)**

(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.

	2022/23 £'000	2021/22 £'000
IAS 19 pension costs included in net cost of services	2,745	2,976
Employers pension contributions and direct payments to pensioners	(2,017)	(2,090)
Net interest on net defined benefit liability	868	774
	1,596	**1,660**

(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.

	2022/23 £'000	2021/22 £'000
Movement on accrual for Employee Short-term Paid Absences	(98)	(12)
Adjustments involving the Financial Instrument Adjustment Account	(12)	(12)
Income from Council Tax – transfer to the Collection Fund Adjustment Account	(18)	7
Income from Business Rates – transfer to the Collection Fund Adjustment Account	(2,770)	(2,892)
	(2,898)	**(2,909)**

6.2 Expenditure and Income Analysed by Nature

	2022/23 £'000	2021/22 £'000
Fees, charges & other service income	(9,969)	(9,814)
Interest & investment income (interest receivable)	(738)	(63)
Income and expenditure relating to investment properties	(1,470)	(1,530)
Income from council tax & business rates	(10,320)	(9,126)
Grants & contributions	(30,112)	(30,972)
Change in fair value of investment properties	-	(380)
Total Income	**(52,609)**	**(51,885)**
Employee expenses	11,473	10,889
Other service expenses	33,974	35,450
Depreciation, amortisation, impairment and revaluation	1,869	2,249
Other amounts written-off non-current assets	0	82
Interest payments	809	828
Net interest on defined benefit pension liability	868	774
Precepts & levies	2,774	2,567
Impairment of financial assets (credit losses)	31	37
Gain or loss on disposal of non-current assets	(30)	(102)
Change in fair value of investment properties	698	-
Total operating expenses	**52,466**	**52,774**
(Surplus) or deficit on the provision of services	**(143)**	**889**

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:

	2022/23 £'000	2021/22 £'000
Car Parks	(3,144)	(3,129)
Waste Collection	(1,716)	(1,636)
Planning	(516)	(636)
Building Control	(377)	(227)
Licencing & Land charges	(279)	(283)
Sale of Recyclables	(693)	(714)
Cemeteries	(294)	(273)
Housing Services grant fees	(170)	(94)
Recovery of overpaid benefits	(170)	(199)
Recycling credits	(1,122)	(1,147)
Tenanted Properties	(73)	(83)
Revenues Court costs recovered	(158)	(168)
Markets	(279)	(226)
Other	(831)	(855)
	(9,822)	**(9,670)**
Recharges to Allerdale Waste Services Limited	(147)	(144)
	(9,969)	**(9,814)**

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

	2022/23 £'000	2021/22 £'000
DWP - Housing Benefit Subsidy Grant (inc. Administration Subsidy)	(14,427)	(14,951)
DWP - Discretionary Housing Payments	(140)	(198)
NNDR - Cost of Collection Allowance	(185)	(182)
DLUHC - Localising Council Tax Support Administration Subsidy	(118)	(120)
Sellafield Limited - Social Impact Investment Fund	(500)	(485)
Sport England - Leisure Recovery Grant	0	(203)
DEFRA - Solway Coast Area of Outstanding Natural Beauty	(163)	(172)
Electoral Commission - PCC Election	0	(230)
DEFRA - Farming in Protected Landscapes	(121)	(70)
DLUHC - Homelessness Prevention	(163)	(170)
DBEIS- Additional Restrictions Grant Scheme	0	(1,900)
DBEIS - Local Restrictions Grant Scheme	0	(80)
DBEIS - Council Tax Energy Rebate Discretionary Scheme	(176)	0
DLUHC/DBEIS - New Burdens	(266)	(272)
DHSC - Covid 19 Enforcement	0	(146)
DHSC - Test & Trace Self Isolation Scheme	(5)	(160)
Cumbria County Council - Contain Outbreak Management Fund	(223)	(225)
DLUHC - Reopening High Streets	0	(192)
DLUHC - ICTIS Project	(122)	(200)
Cumbria County Council - ICTIS Project	(82)	(134)
DLUHC - Levelling Up Capacity Funding	(125)	0
DLUHC/Copeland BC - UKSPF	(300)	0
Cumbria County Council – LGR implementation	(510)	0
Other Grants and Contributions	(870)	(729)
	(18,496)	**(20,819)**

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

	2022/23 £'000	2021/22 £'000
Capital Grants received and applied in the current year		
Better Care Funding (DFG)	(1,258)	(721)
Social Housing Decarbonisation Funding	(1,133)	0
Heritage Action Zone (HAZ)	(117)	(89)
Future High Streets	(103)	0
Towns Deal	(293)	0
Other Grants and contributions	(100)	(86)
Capital Grants received in current year but not applied		
Better Care Funding (DFG)	(120)	(657)
	(3,124)	**(1,553)**

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

	2022/23			2021/22		
	Gains £'000	Losses £'000	Net £'000	Gains £'000	Losses £'000	Net £'000
Non-Current Assets Held for Sale	0	0	0	0	0	0
Property, Plant & Equipment	(18)	33	15	0	0	0
	(18)	**33**	**15**	**0**	**0**	**0**
Investment property	**(57)**	**12**	**(45)**	**(102)**	**0**	**(102)**

9. Financing and investment income and expenditure

	2022/23 £'000	2021/22 £'000
Interest payable and similar charges	807	827
Interest receivable and similar income	(738)	(63)
Income & expenditure relating to investment properties	(1,470)	(1,530)
Changes in fair values of investment properties	698	(380)
(Gains)/losses on disposal of investment properties	(45)	(102)
Net interest on the net defined benefit liability	868	774
Impairment (credit) losses on trade receivables	31	37
Impairment (credit) losses on other financial assets	0	0
Unwinding of discount on provisions	2	1
	153	**(436)**

Interest payable and similar charges comprises:

	2022/23 £'000	2021/22 £'000
Interest expense on financial liabilities (not measured at FVTPL)		
- Interest on PWLB Borrowing	805	827
- Other interest	2	0
	807	**827**

Interest receivable and similar income comprises:

	2022/23 £'000	2021/22 £'000
Net (gains)/losses on:		
- financial assets measured at fair value through profit or loss	(534)	(59)
- financial assets measured at amortised cost	0	0
Interest revenue on financial assets measured at amortised cost	(204)	(4)
Interest revenue on financial assets measured at fair value through other comprehensive income and expenditure	0	0
	(738)	**(63)**

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

	2022/23 £'000	2021/22 £'000
Capital Grants received and applied in the current year:		
DLUHC - Accelerated Towns Fund	(150)	(318)
Cumbria LEP (Lillyhall North)	(1,281)	(180)
Towns Deal	(405)	(49)
Future High Streets	(271)	(673)
HAZ	(106)	(64)
Other Capital Grants & Contributions	(195)	(142)
Asset Transfer from Energy Coast West Cumbria (Workspace) Limited	(298)	0
	(2,706)	**(1,426)**
Capital Grants received in current year but not applied	0	(10)
	(2,706)	**(1,436)**

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

	2022/23 £'000	2021/22 £'000
Revenue Support Grant	(207)	(200)
New Homes Bonus Scheme Grant	(291)	(261)
Rural Services Delivery Grant	(342)	(342)
Lower Tier Services Grant	(167)	(156)
Section 31 Grant - Business Rates	(4,496)	(5,417)
Services Grant	(252)	0
Levy Account Surplus	(31)	0
Income compensation for lost sales, fees and charges	0	(72)
Covid-19 Funding	0	(565)
Local Council Tax Support	0	(151)
	(5,786)	**(7,164)**

10.3 Council tax income

	2022/23 £'000	2021/22 £'000
Precept	(8,351)	(8,119)
Distribution of estimated prior year (surplus)/deficit	(23)	(4)
Demand on Collection Fund	**(8,374)**	**(8,123)**
Share of actual surplus/(deficit) at 1 April	(33)	(26)
Share of actual (surplus)/deficit at 31 March	15	33
	(8,392)	**(8,116)**

10.4 Non-domestic rates income and expenditure

	2022/23 £'000	2021/22 £'000
Share of Non Domestic Rates Income	(10,079)	(8,914)
Tariff	7,418	7,418
Levy Expenditure	733	486
	(1,928)	**(1,010)**

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:

	2022/23 £'000	2021/22 £'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	73	76
Fees payable for the certification of grant claims and returns	0	0
	73	**76**

12. Members' Allowances

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

	2022/23 £	2021/22 £
Basic Allowances	162,466	162,143
Special Responsibility Allowances	87,909	81,778
Expenses	3,745	2,801
Total	**254,120**	**246,722**

13. Officers' Remuneration

13.1 Employee remuneration (excluding senior employees)

The number of employees, excluding senior employees included in note 13.2, whose remuneration, excluding pension contributions, was £50,000 or more, was as follows:

Remuneration Band	Number of Employees	
	2022/23	2021/22
£50,000 - £54,999	6	0
£55,000 - £59,999	0	1
£60,000 - £64,999	0	1
Total	**6**	**2**

13.2 Senior Officers' Remuneration

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

Remuneration for Senior Employees 2022/23					
Post Title	**Salary fees & allowances £**	**Expense allowances £**	**Taxable Benefits[1] £**	**Pension contributions £**	**Total £**
Chief Executive (resigned 31.12.22)	88,520	1,029	0	15,868	105,417
Interim Chief Executive (appointed 1.1.23)	31,168	0	(83)	5,030	36,115
Chief Officer - Assets (resigned 31.12.22)	60,370	410	(625)	10,334	70,489
Interim Chief Finance Officer (appointed 1.1.23)	20,409	0	0	3,115	23,524
Chief Officer - Place & Governance	73,383	0	0	13,796	87,179
Assistant Chief Executive - Innovation & Commercial	68,860	0	0	12,232	81,092
Programme Director - Transformation & Operating Model	54,621	0	631	9,718	64,970
Interim Chief Officer - Customer Operations (appointed 1.1.23)	13,676	0	0	2,571	16,247
Programme Director - Maryport	62,768	0	0	11,800	74,568
Programme Director - Workington	61,139	0	0	11,494	72,633
Assistant Chief Executive - Policy, Performance & Economic Development Strategy	65,526	0	0	11,616	77,142
	600,440	**1,439**	**(77)**	**107,574**	**709,376**

Remuneration for Senior Employees 2021/22					
Post Title	**Salary fees & allowances £**	**Expense allowances £**	**Taxable Benefits[1] £**	**Pension contributions £**	**Total £**
Chief Executive	111,436	1,239	0	20,950	133,625
Chief Officer - Assets	68,238	0	(104)	12,829	80,963
Chief Officer - Place & Governance	68,508	0	0	12,879	81,387
Assistant Chief Executive - Innovation & Commercial	60,228	0	0	11,323	71,551
Programme Director - Transformation & Operating Model	63,194	0	2,009	11,147	76,350
Programme Director - Maryport	63,354	0	83	11,911	75,348
Programme Director - Workington	57,850	0	0	10,876	68,726
Assistant Chief Executive - Policy, Performance & Economic Development Strategy	58,588	0	0	11,014	69,602
	551,396	**1,239**	**1,988**	**102,929**	**657,552**

[1] Taxable benefits comprise cars and cycles made available under the Authority's salary sacrifice scheme. The value of benefits is shown net of salary, reported under 'Salary, fees and allowances', given up in exchange for these non-cash benefits.

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	0	0	0	2	0	2	0	£27,155
£20,001 - £40,000	0	0	0	1	0	1	0	£21,342
£40,001 - £60,000	0	0	1	0	1	0	£46,053	0
£60,001 - £80,000	0	0	1	0	1	0	£70,374	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	2	0	0	0	2	0	£270,196
	0	**2**	**2**	**3**	**2**	**5**	**£116,427**	**£318,693**

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.

2022/23	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	2,129			(2,129)
Revaluation losses /(gains)	(278)			278
Movement in the fair value of investment properties	698			(698)
Amortisation of intangible assets	18			(18)
Capital grants & contributions	(5,710)			5,710
Revenue expenditure funded from capital under statute	3,561			(3,561)
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	83			(83)
Other	(24)			24
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(1,118)			1,118
Capital expenditure to General Fund	(166)			166
	(807)	**0**	**0**	**807**

2022/23 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(120)		120	
Application of grants to finance capital expenditure transferred to the Capital Adjustment account			(16)	16
	(120)	**0**	**104**	**16**
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	(108)	108		
Capital receipts arising on repayment of grants	(26)	26		
Use of Capital Receipts Reserve to finance new capital expenditure		(573)		573
	(134)	**(439)**	**0**	**573**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of the gain/loss on disposal	0			0
Other movements	(104)			104
	(104)	**0**	**0**	**104**
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	3,613			(3,613)
Employers pension contributions and direct payments to pensioners payable in the year	(2,017)			2,017
	1,596	**0**	**0**	**(1,596)**
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	(2,788)			2,788
	(2,788)	**0**	**0**	**2,788**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	(98)			98
	(98)	**0**	**0**	**98**
Movement during the year	**(2,467)**	**(439)**	**104**	**2,802**

2021/22	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	2,101			(2,101)
Revaluation losses /(gains)	141			(141)
Movement in the fair value of investment properties	(380)			380
Amortisation of intangible assets	7			(7)
Capital grants & contributions	(2,322)			2,322
Revenue expenditure funded from capital under statute	1,322			(1,322)
Income in relation to donated assets				
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	28			(28)
Other	0			0
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(1,126)			1,126
Capital expenditure to General Fund				
	(229)	**0**	**0**	**229**
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(667)		667	
Application of grants to finance capital expenditure transferred to the Capital Adjustment account			(60)	60
	(667)	**0**	**607**	**60**
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	(130)	130		
Capital receipts arising on repayment of grants	(15)	15		
Use of Capital Receipts Reserve to finance new capital expenditure		(376)		376
	(145)	**(231)**	**0**	**376**
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	177	605		(782)
	177	**605**	**0**	**(782)**

2021/22 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	3,750			(3,750)
Employers pension contributions and direct payments to pensioners payable in the year	(2,090)			2,090
	1,660	**0**	**0**	**(1,660)**
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	(2,885)			2,885
	(2,885)	**0**	**0**	**2,885**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	(12)			12
	(12)	**0**	**0**	**12**
Movement during the year	**(2,113)**	**374**	**607**	**1,132**

16. Usable Reserves

Reserve	At 31 March 2022 £'000	Net movement in the year £'000	At 31 March 2023 £'000	Note
Earmarked General Fund Reserves	7,520	(3,210)	4,310	16.1
Un-earmarked General Fund Balance	3,106	886	3,992	16.2
Total General Fund Balance	**10,626**	**(2,324)**	**8,302**	
Capital Receipts Reserve	1,236	(439)	797	16.3
Capital Grants Unapplied	1,470	104	1,574	16.4
Total Usable Reserves	**13,332**	**(2,659)**	**10,673**	

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 released from Earmarked Reserves to meet General Fund expenditure in 2022-23.

2022/23	31 March 2022 £'000	Application £'000	Contribution & transfers £'000	Released to General Fund £'000	31 March 2023 £'000
Allerdale Business Support Fund	42	0	0	0	42
Misc. Corporate Resources	9	0	0	0	9
SIIF Grant (for project support & development	0	0	148	0	148
Misc. Customer Experience & Innovation	63	(16)	14	0	61
Towns Fund	47	(42)	0	0	5
Future High Streets	117	0	49	0	166
Strategic Partner	115	0	(90)	0	25
Delivering Economic Benefits	5	(5)	0	0	0
Economic Growth, Community Development & Placemaking - Other	334	(193)	154	0	295
Allerdale Waste Services	246	(182)	0	0	64
Environmental Services - Other	281	(91)	49	0	239
New Finance System	227	(103)	0	0	124
Contingencies	673	(175)	(157)	0	341
Council Tax Hardship Fund	236	(102)	0	0	134
Business Grants Covid-19	230	0	0	0	230
LGR Implementation Fund	25	(1)	0	0	24
New Burdens – Council Tax/Energy Rebate scheme	0	0	108	0	108
Finance & Legal - Other	196	(129)	138	0	205
Leisure & Tourism - Other	82	0	0	0	82
Strategic Priorities	0	0	0	0	0
Policy, Governance & People Resources - Other	396	(208)	143	(12)	319
NNDR Rate Pool Volatility Fund	364	0	182	0	546
Business Rate Income	0	0	0	0	0
Section 31 NNDR & Council Tax	3,832	0	(2,689)	0	1,143
Total	**7,520**	**(1,247)**	**(1,951)**	**(12)**	**4,310**

2021/22	31 March 2021 £'000	Application £'000	Contribution & transfers £'000	Released to General Fund £'000	31 March 2022 £'000
Allerdale Business Support Fund	437	0	(395)	0	42
Misc. Corporate Resources	37	0	(28)	0	9
SIIF Grant (for project support & development	0	0	0	0	0
Misc. Customer Experience & Innovation	172	(78)	(31)	0	63
Towns Fund	132	(96)	11	0	47
Future High Streets	23	(16)	110	0	117
Strategic Partner	0	0	115	0	115
Delivering Economic Benefits	100	(29)	(66)	0	5
Economic Growth, Community Development & Placemaking - Other	368	(200)	166	0	334
Allerdale Waste Services	210	(29)	65	0	246
Environmental Services - Other	138	(26)	169	0	281
New Finance System	558	(331)	0	0	227
Contingencies	132	0	541	0	673
Council Tax Hardship Fund	246	(10)	0	0	236
Business Grants Covid-19	237	(22)	15	0	230
LGR Implementation Fund	0	(1,575)	1,600	0	25
New Burdens – Council Tax/Energy Rebate scheme	0	0	0	0	0
Finance & Legal - Other	212	(156)	140	0	196
Leisure & Tourism - Other	99	(17)	0	0	82
Strategic Priorities	20	0	(20)	0	0
Policy, Governance & People Resources - Other	235	(46)	246	(39)	396
NNDR Rate Pool Volatility Fund	145	0	219	0	364
Business Rate Income	321	0	(321)	0	0
Section 31 NNDR & Council Tax	6,638	0	(2,806)	0	3,832
Total	**10,460**	**(2,631)**	**(270)**	**(39)**	**7,520**

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.

	2022/23 £’000	2021/22 £’000
General Fund Balance at 1 April	3,106	3,168
Increase/(decrease) in year	886	(62)
Balance at 31 March	**3,992**	**3,106**

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	1,236	862
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	108	130
Transfer from Deferred Capital Receipts Reserve	0	605
Capital receipt arising on repayment of grant assistance & long term loan advances	26	15
Total capital receipts received in the year	134	750
Receipts applied to finance capital expenditure during the year	(573)	(376)
Balance at 31 March	**797**	**1,236**

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	1,470	863
Capital Grants received in previous years and applied in current year	(16)	(60)
Capital Grants received in current year but not applied	120	667
Balance at 31 March	**1,574**	**1,470**

17. Unusable Reserves

Reserve	At 31 March 2022 £'000	Movement in the Year £'000	At 31 March 2023 £'000	Note
Revaluation Reserve	21,178	4,981	26,159	17.1
Capital Adjustment Account	47,122	1,908	49,030	17.2
Deferred Capital Receipts Reserve	535	104	639	17.3
Pensions Reserve	(32,042)	30,877	(1,155)	17.4
Collection Fund Adjustment Account	(3,320)	2,788	(532)	17.5
Financial Instruments Adjustment Account	(51)	12	(39)	17.6
Accumulated Absences Account	(250)	98	(152)	17.7
Total Unusable Reserves	**33,172**	**40,778**	**73,950**	

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 Revaluation Reserve was first established under the Code. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2022/23 £'000	2021/22 £’000
Balance at 1 April	21,178	18,584
Revaluation of assets - current year	5,516	3,027
Amounts written off to the capital adjustment account:	(23)	0
Difference between fair value depreciation and historical cost depreciation – current year	(470)	(433)
Accumulated gains on assets sold or scrapped – current year	(42)	0
Balance at 31 March	**26,159**	**21,178**

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 the Revaluation Reserve was created to hold such gains.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	47,122	46,024
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation of non-current assets	(2,129)	(2,101)
Revaluation gain/(loss) on Property, Plant & Equipment and Heritage Assets	278	(141)
Amortisation of intangibles	(18)	(7)
Revenue Expenditure Funded from Capital Under Statute	(3,561)	(1,322)
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	(83)	(28)
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated gains on assets sold written out of the Revaluation Reserve	42	0
Difference between fair value depreciation and historical cost depreciation	470	433
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	573	376
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,710	2,322
Application of grants to capital financing from the Capital Grants Unapplied Account	16	60
Statutory provision for the financing of capital investment charged against the General Fund (minimum revenue provision)	1,118	1,126
Capital expenditure charged against the General Fund balance	166	0
Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(698)	380
Other movements	24	0
Balance at 31 March	**49,030**	**47,122**

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	535	1,317
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	(605)
Other movements (fair value adjustment to associated receivable)	104	(177)
Balance at 31 March	**639**	**535**

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(32,042)	(37,909)
Remeasurement of the net defined benefit liability/(asset)	32,483	7,527
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(3,613)	(3,750)
Employers pension contributions and direct payments to pensioners payable in the year[1]	2,017	2,090
Balance at 31 March	**(1,155)**	**(32,042)**

[1] Employers pension contributions and direct payments to pensioners of £2,017,000 (2021-22: £2,090,000), include deficit recovery contributions paid in 2022-23 of £548,100 (2021-22: £535,300).

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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(3,320)	(6,205)
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	2,788	2,885
Balance at 31 March[1]	**(532)**	**(3,320)**

[1] At 31 March 2023 the balance on the Collection Fund adjustment account comprises the Authority's share of the Collection Fund deficits attributable to non-domestic rates (£550k) (31.3.22: £3,272k deficit) and Council tax (£15k) (31.3.22: £(33)k) less reconciliation adjustments in respect of NNDR renewable energy growth disregard (£27k) (31.3.22: £15k) and cost of collection allowance (£6k) (31.3.22: £0).

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

18.1 Net book value of Property, Plant and Equipment

	31/03/23 £'000	31/03/22 £'000
Infrastructure Assets	7,392	7,984
Other Property, Plant and Equipment Assets	59,169	53,628
Net Book Value at 31 March	**66,561**	**61,612**

18.2 Infrastructure Assets

	2022/23 £'000	2021/22 £'000
Net Book Value at 1 April	7,984	7,523
Additions	64	182
Transfers	0	930
Depreciation charge	(656)	(651)
Net Book Value at 31 March	**7,392**	**7,984**

18.3 Other Property, Plant and Equipment Assets

2022/23	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Const. £'000	Total £'000
Cost or Valuation					
At 1 April 2022	48,013	4,894	1,975	921	55,803
Additions	144	35	0	1,086	1,265
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,767	0	0	0	4,767
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	278	0	0	0	278
Derecognition - disposals & other	(70)	0	0	0	(70)
Transfers	0	0	0	0	0
At 31 March 2023	**53,132**	**4,929**	**1,975**	**2,007**	**62,043**
Accumulated Depreciation & Impairment					
At 1 April 2022	(93)	(2,082)	0	0	(2,175)
Depreciation Charge	(952)	(511)	0	0	(1,463)
Depreciation written out to the Revaluation Reserve	749	0	0	0	749
Derecognition - disposals & other	15	0	0	0	15
At 31 March 2023	**(281)**	**(2,593)**	**0**	**0**	**(2,874)**
Net Book Value at 31 March 2023	**52,851**	**2,336**	**1,975**	**2,007**	**59,169**
Net Book Value at 31 March 2022	**47,920**	**2,812**	**1,975**	**921**	**53,628**

Nature of asset holding					
Owned (Freehold)	52,851	2,336	1,975	2,007	59,169
Finance Lease	0	0	0	0	0
	52,851	**2,336**	**1,975**	**2,007**	**59,169**

2021/22	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Const. £'000	Total £'000
Cost or Valuation					
At 1 April 2021	46,242	4,676	1,975	1,715	54,608
Additions	95	218	0	819	1,132
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,743	0	0	0	1,743
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(141)	0	0	0	(141)
Derecognition - disposals & other	0	0	0	(82)	(82)
Transfers	74	0	0	(1,531)	(1,457)
At 31 March 2022	**48,013**	**4,894**	**1,975**	**921**	**55,803**
Accumulated Depreciation & Impairment					
At 1 April 2021	(451)	(1,565)	0	0	(2,016)
Depreciation Charge	(926)	(517)	0	0	(1,443)
Depreciation written out to the Revaluation Reserve	1,284	0	0	0	1,284
At 31 March 2022	**(93)**	**(2,082)**	**0**	**0**	**(2,175)**
Net Book Value at 31 March 2022	**47,920**	**2,812**	**1,975**	**921**	**53,628**
Net Book Value at 31 March 2021	**45,791**	**3,111**	**1,975**	**1,715**	**52,592**

Nature of asset holding					
Owned (Freehold)	47,920	2,812	1,975	921	53,628
Finance Lease	0	0	0	0	0
	47,920	**2,812**	**1,975**	**921**	**53,628**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note (18.3) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

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

18.4 Revaluations – Other Property Plant & Equipment

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 (2023, 2022, 2021, 2020 and 2019) and Walton Goodland (2018), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards and Guidance (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 2023	**Other Land & Buildings £'000**	**Equipment & Vehicles £'000**	**Community Assets £'000**	**Assets Under Const. £'000**	**Total £'000**
Carried at historical cost	0	4,929	1,975	2,007	8,911
Valued at current value at:					
31 March 2023	45,906	-	-	-	45,906
31 March 2022	5,806	-	-	-	5,806
31 March 2021	92	-	-	-	92
31 March 2020	801	-	-	-	801
31 March 2019	527	-	-	-	527
Total Cost or Valuation	**53,132**	**4,929**	**1,975**	**2,007**	**62,043**

At 31 March 2022	**Other Land & Buildings £'000**	**Equipment & Vehicles £'000**	**Community Assets £'000**	**Assets Under Const. £'000**	**Total £'000**
Carried at historical cost	0	4,894	1,975	921	7,790
Valued at current value at:					
31 March 2022	46,523	-	-	-	46,523
31 March 2021	92	-	-	-	92
31 March 2020	801	-	-	-	801
31 March 2019	597	-	-	-	597
31 March 2018	0	-	-	-	0
Total Cost or Valuation	**48,013**	**4,894**	**1,975**	**921**	**55,803**

18.5 Non-current assets revalued as at 31 March 2023:

The following categories of non-current assets were revalued as at 31 March 2023:

- Investment Properties, which were revalued at 'Fair Value - Market Value' (see note 20)
- Property Plant & Equipment:
    - pay & display 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:

2022/23	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 2022	993	163	80	1,236	45	1,281
Additions - purchased	114	0	0	114	0	114
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 2023	**1,107**	**163**	**80**	**1,350**	**45**	**1,395**
Accumulated depreciation & impairment						
At 1 April 2022	(85)	0	0	(85)	(31)	(116)
Depreciation charge	(7)	0	0	(7)	(3)	(10)
At 31 March 2023	**(92)**	**0**	**0**	**(92)**	**(34)**	**(126)**
Net book value at 31 March 2023	**1,015**	**163**	**80**	**1,258**	**11**	**1,269**
Nature of asset holding						
Owned (Freehold)	1,015	163	80	1,258	11	1,269
	1,015	**163**	**80**	**1,258**	**11**	**1,269**

2021/22	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 2021	813	163	80	1,056	31	1,087
Additions - purchased	180	0	0	180	14	194
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 2022	**993**	**163**	**80**	**1,236**	**45**	**1,281**
Accumulated depreciation & impairment						
At 1 April 2021	(78)	0	0	(78)	(31)	(109)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2022	**(85)**	**0**	**0**	**(85)**	**(31)**	**(116)**
Net book value at 31 March 2022	**908**	**163**	**80**	**1,151**	**14**	**1,165**
Nature of asset holding						
Owned (Freehold)	908	163	80	1,151	14	1,165
	908	**163**	**80**	**1,151**	**14**	**1,165**

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 the 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	31/03/23 £’000	31/03/22 £’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.

	2022/23 £'000	2021/22 £'000
At 1 April	25,123	24,602
Additions - acquisitions	298	0
Additions - subsequent expenditure	29	169
Disposals	(28)	(28)
Transfers from/(to) Property, Plant and Equipment	0	0
Net gains/(losses) from fair value adjustments	(698)	380
At 31 March	**24,724**	**25,123**

Nature of asset holding		
Owned (Freehold)	24,039	24,429
Finance Lease	685	694
At 31 March	**24,724**	**25,123**

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 and Guidance (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.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/23 £'000
Retail Lettings	-	-	6,219	6,219
Residential & Commercial Lettings	-	-	11,397	11,397
Managed Industrial Estates	-	-	5,043	5,043
Vacant Land & Industrial Sites	-	-	2,065	2,065
At 31 March 2023	**-**	**-**	**24,724**	**24,724**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/22 £'000
Retail Lettings	-	-	7,069	7,069
Residential & Commercial Lettings	-	-	11,331	11,331
Managed Industrial Estates	-	-	4,764	4,764
Vacant Land & Industrial Sites	-	-	1,959	1,959
At 31 March 2022	**-**	**-**	**25,123**	**25,123**

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 2022	7,069	11,331	4,764	1,959	25,123
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services[1]	(850)	37	(1)	116	(698)
Additions	0	29	298	0	327
Disposals	0	0	(18)	(10)	(28)
Transfers to PPE	0	0	0	0	0
Carrying amount at 31 March 2023	**6,219**	**11,397**	**5,043**	**2,065**	**24,724**
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2023	(850)	37	(1)	116	(698)

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2021	6,917	11,283	4,580	1,822	24,602
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services[1]	152	(93)	184	137	380
Additions	0	141	28	0	169
Disposals	0	0	(28)	0	(28)
Transfers from PPE	0	0	0	0	0
Carrying amount at 31 March 2022	**7,069**	**11,331**	**4,764**	**1,959**	**25,123**
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2022	152	(93)	184	137	380

[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 31/03/23 £'000	Valuation technique	Significant unobservable inputs	Range
Retail Lettings	**6,219**	Income	Estimated yield	5.5% - 15.0%
			Rental value (rent passing/reversion rent) p.a.	£2,340 - £319,989
Residential & Commercial Lettings	758	Market	Estimated sale value per unit	£150,000
			Estimated value per h.a./plot value	£110,000
	10,639	Income	Estimated yield	5% - 13.5%
			Rental value (rent passing/ reversion rent/profit rent) p.a.	£0-£694,673
	11,397			
Managed Industrial Estates	4,438	Income	Estimated yield	6% - 14.5%
			Rental value (rent passing/ reversion rent) p.a.	£141 - £210,449
	605	Market	Estimated value per h.a.	£15,000 - £40,000
	5,043			
Vacant Land & Industrial Sites	**1,953**	Market	Estimated value per h.a./plot value Reversion yield	£16,673 - £230,000
	112	Income	Estimated yield	9% - 10%
	2,065		Rental value (rent passing/ reversion rent) p.a.	£11,200

	Fair value at 31/03/22 £'000	Valuation technique	Significant unobservable inputs	Range
Retail Lettings	**7,069**	Income	Estimated yield	5.5% - 20.0%
			Rental value (rent passing/reversion rent) p.a.	£2,340 - £603,485
Residential & Commercial Lettings	729	Market	Estimated sale value per unit net of conversion costs	£138,750
			Estimated value per h.a./plot value	£101,000 - £110,000
	10,602	Income	Estimated yield	5% - 13%
			Rental value (rent passing/ reversion rent/profit rent) p.a.	£1 - £691,947
	11,331			
Managed Industrial Estates	4,159	Income	Estimated yield	6% - 10.5%
			Rental value (rent passing/ reversion rent) p.a.	£141 - £210,449
	605	Market	Estimated value per h.a.	£15,000 - £40,000
	4,764			
Vacant Land & Industrial Sites	**1,959**	Market	Estimated value per h.a./plot value	£16,673 - £230,000

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:

	2022/23			2021/22		
	Expenditure £'000	Income £'000	Net Inc. £'000	Expenditure £'000	Income £'000	Net Inc. £'000
Industrial Units	3	(252)	(249)	(1)	(260)	(261)
Other Investment Properties	32	(1,253)	(1,221)	24	(1,293)	(1,269)
	35	**(1,505)**	**(1,470)**	**23**	**(1,553)**	**(1,530)**

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.

	2022/23 £'000	2021/22 £'000
Opening Capital Financing Requirement	20,292	21,136
Capital investment:		
Property Plant & Equipment	1,329	1,314
Property Plant & Equipment – write-off of prior year expenditure	0	(82)
Investment Property	327	169
Intangible Assets	67	0
Heritage Assets – purchased and donated	114	194
Revenue Expenditure Funded from Capital under Statute	5,276	1,445
Financing:		
Capital receipts	(573)	(376)
Government grants, contributions and donations	(5,726)	(2,382)
Sums set aside from revenue	(166)	0
Minimum Revenue Provision (MRP)	(1,118)	(1,126)
Closing Capital Financing Requirement	**19,822**	**20,292**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	(314)	(328)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(156)	(516)
Increase/(decrease) in Capital Financing Requirement	**(470)**	**(844)**

22. Commitments under Capital Contracts

At 31 March 2023, outstanding commitments under capital contracts for the construction or enhancement of Property, Plant and Equipment in 2023-24 and future years amounted to £530,448 (31 March 2022: £269,737). At 31 March 2023, contractual obligations to purchase, construct or develop investment property or for the repair, maintenance or enhancement of investment property were £0 (31 March 2022: £6,294).

23. Investments

	31/03/23 £'000	31/03/22 £'000
Long-term		
Allerdale Investment Partnership LLP 12% secured investor loan notes 2034	638	535
Unquoted equity investments	13	12
	651	547
Short-term (loans & receivables)		
Term deposits and notice accounts	0	0
	651	**547**

24. Inventories

	2022/23			2021/22		
	Finished Goods & Consuma-bles £'000	Work in Progress £'000	Total £'000	Finished Goods & Consuma-bles £'000	Work in Progress £'000	Total £'000
At 1 April	70	649	719	100	0	100
Purchases	185	1,715	1,900	141	401	542
Transfer from Assets under Construction (PPE)	0	0	0	0	437	437
Transfer from Infrastructure (PPE)	0	0	0	0	90	90
Recognised as an expense in the year	(182)	0	(181)	(171)	(279)	(450)
At 31 March	**73**	**2,364**	**2,437**	**70**	**649**	**719**

25. Short-term Debtors

	31/03/23 £'000	31/03/22 £'000
Trade receivables	2,159	2,468
Council Tax receivable	734	703
NNDR receivable	333	244
Housing benefit overpayments	848	950
Other taxation and social security	190	303
Other receivables	4,530	6,873
Amounts owed by group companies	301	359
	9,095	**11,900**
Allowance for credit losses:		
- Trade receivables	(109)	(120)
- Council Tax	(354)	(312)
- NNDR	(137)	(106)
- Housing Benefit overpayments	(602)	(676)
	(1,202)	**(1,214)**
	7,893	**10,686**

26. 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 2023			
Past due status	**Council Tax £'000**	**NNDR £'000**	**Housing benefit overpayments £'000**	**Total £'000**
Past due less than 12 months	271	48	78	397
Past due more than 12 months	463	285	770	1,518
Total	**734**	**333**	**848**	**1,915**

	At 31 March 2022			
Past due status (as restated)	**Council Tax £'000**	**NNDR £'000**	**Housing benefit overpayments £'000**	**Total £'000**
Past due less than 12 months	256	116	102	474
Past due more than 12 months	447	128	848	1,423
Total	**703**	**244**	**950**	**1,897**

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 is set out in the following table.

	2022/23			2021/22		
	Individual impairment £'000	Collective impairment £'000	Total £'000	Individual impairment £'000	Collective impairment £'000	Total £'000
- Council Tax	0	(354)	(354)	0	(312)	(312)
- NNDR	0	(137)	(137)	0	(106)	(106)
- Benefits	0	(602)	(602)	0	(676)	(676)
Total Allowance	**0**	**(1,093)**	**(1,093)**	**0**	**(1,094)**	**(1,094)**

27. Cash and Cash Equivalents

	31/03/23 £'000	31/03/22 £'000
Cash in hand	13	19
Bank current accounts	174	0
Call accounts (same day access funds)	2,910	7,837
Money Market Funds	19,352	16,260
Other bank deposits	204	213
Cash and Cash Equivalents (balance sheet)	**22,653**	**24,329**
Bank Overdraft	0	(1,129)
Cash and Cash Equivalents (cash flow statement)	**22,653**	**23,200**

28. External Borrowing

	31/03/23 £'000	31/03/22 £'000
Short-term Borrowing		
Public Works Loan Board (inc. accrued interest)	(906)	(901)
Local Bonds	(31)	(31)
Trust Funds	(54)	(54)
	(991)	**(986)**
Long-term Borrowing		
Public Works Loan Board	(14,460)	(15,170)
	(15,451)	**(16,156)**

Analysis of loans by maturity:

Amounts repayable	31/03/23 £'000	31/03/22 £'000
Within 1 year	(991)	(986)
Between 1 & 2 years	(720)	(710)
Between 2 & 5 years	(1,874)	(2,195)
Between 5 & 10 years	(1,786)	(1,904)
After more than 10 years	(10,080)	(10,361)
	(15,451)	**(16,156)**

29. Short-term Creditors

	31/03/23 £'000	31/03/22 £'000
Trade payables	(1,676)	(1,104)
Other payables	(6,575)	(17,450)
Amounts owed to group companies	0	(22)
Other taxation and social security	(250)	(255)
Unpaid holiday pay	(152)	(250)
	(8,653)	**(19,081)**

30. Contract and Other Liabilities

	31/03/23 £'000	31/03/22 £'000
Deferred income (receipts in advance)	(664)	(762)
NNDR received in advance	(317)	(220)
Council Tax received in advance	(150)	(139)
Developers' contributions under section 106 Town and Country Planning Act 1990	(102)	(128)
Capital grants received in advance	(14,093)	(6,213)
Revenue grants received in advance	(346)	(2,427)
Other		0
	(15,672)	**(9,889)**

31. Provisions

	Insurance £'000	Business Rates £'000	Legal Claims £'000	Other £'000	Total £'000
Balance at 1 April 2022	**(77)**	**(930)**	**(169)**	**(47)**	**(1,223)**
Additional provisions made in 2022-23	0	(131)	(8)	0	(139)
Provision utilised in year	13	200	44	0	257
Unused amounts reversed in year	0	0	0	0	0
Unwinding of discounting	0	0	(2)	0	(2)
At 31 March 2023	**(64)**	**(861)**	**(135)**	**(47)**	**(1,107)**
Disclosed as:					
At 31 March 2023					
Current component	(13)	(861)	(81)	(47)	(1,002)
Long-term component	(51)	0	(54)	0	(105)
	(64)	**(861)**	**(135)**	**(47)**	**(1,107)**
At 31 March 2022					
Current component	(35)	(930)	(75)	(47)	(1,087)
Long-term component	(42)	0	(94)	0	(136)
	(77)	**(930)**	**(169)**	**(47)**	**(1,223)**

(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) 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 £861,301 (31.3.21: £929,852) represents the Authority's share (40%) of the total provision of £2,153,254 at 31 March 2023 (31.3.22: £2,324,630) in respect of the potential refund of business rates income for years up to and including 2022-23. The total provision at 31 March 2023 includes £2,142,592 (31.3.22: £2,313,968) 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 2022-23 was £499,129 (2021-22: £546,683). The Authority's share of this cost was £199,652 (2021-22: £218,673) (40%). Of this £199,652 was charged against the provision brought forward at 1 April 2022.

(c) Legal claims

The legal claims provision at 31 March 2022 and 31 March 2023 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.

(d) Other

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

32. Pensions

32.1 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). 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. Prior to local government reorganisation on 1 April 2023, the scheme was administered by Cumbria County Council (the Administration Authority). From 1 April 2023 responsibility for scheme administration passed to Westmorland and Furness Council.

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

Prior to local government reorganisation, governance of the Scheme was 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 was 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 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 Scheme’s 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 management of the Scheme’s cash, bank account and investment of surplus cash
- Funding Strategy Statement, which identifies how the Scheme’s 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
- Internal Controls and Risk Management policy which sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk.

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: https://www.cumbriapensionfund.org

32.2 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	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	2,745	2,580	0	0
▪ past service costs (gains)	0	0	0	0
▪ (gain)/loss from curtailments	0	396	0	0
Financing and Investment Income & Expenditure				
▪ net interest expense	824	740	44	34
Total Post-employment benefits charged to the surplus or deficit on the provision of services	**3,569**	**3,716**	**44**	**34**
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	5,795	(6,883)	0	0
▪ experience (gains)/loss on liabilities	11,824	329	51	5
▪ actuarial (gains) and losses arising on changes in financial assumptions	(50,252)	0	(395)	0
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(2,969)	(966)	(35)	(12)
▪ effect of the asset ceiling	3,498	0	0	0
	(32,104)	**(7,520)**	**(379)**	**(7)**
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**(28,535)**	**(3,804)**	**(335)**	**27**

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'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	(3,569)	(3,716)	(44)	(34)
Actual amount charged against the General Fund Balance for pensions in the year:				
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	1,882	1,952	135	138

32.3 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:

	31/03/23 £'000	31/03/22 £'000
Present value of the defined benefit obligation - Funded Liabilities	(89,993)	(128,456)
Present value of the defined benefit obligation - Unfunded Liabilities	(1,155)	(1,625)
Fair value of plan assets	93,491	98,039
	2,343	(32,042)
Asset Ceiling adjustment (Remeasurement)[1]	(3,498)	0
Net liability arising from the defined benefit obligation	**(1,155)**	**(32,042)**

[1] Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2023 the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. Therefore there is deemed to be no economic benefit and the asset ceiling for funded liabilities is calculated as £nil. The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

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

	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Opening fair value of scheme assets	98,039	90,860	0	0
Interest income	2,725	1,892	0	0
Remeasurement gain/(loss):				
▪ return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	(5,795)	6,883	0	0
Employer contributions	1,882	1,952	135	138
Contributions by scheme participants	443	414	0	0
Benefits/transfers paid	(3,750)	(3,912)	(135)	(138)
Administration expenses	(53)	(50)	0	0
Closing balance of scheme assets at 31 March	**93,491**	**98,039**	**0**	**0**

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

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Opening balance at 1 April	(128,456)	(127,033)	(1,625)	(1,736)
Current Service Cost	(2,692)	(2,530)	0	0
Interest Cost	(3,549)	(2,632)	(44)	(34)
Contributions by scheme participants	(443)	(414)	0	0
Remeasurement gains and losses:				
▪ experience gains/(losses)	(11,824)	(329)	(51)	(5)
▪ actuarial gains and (losses) arising on changes in financial assumptions	50,252	0	395	0
▪ actuarial gains and (losses) arising on changes in demographic assumptions	2,969	966	35	12
Past Service Costs	0	0	0	0
(Gains)/losses on Curtailments	0	(396)	0	0
Benefits Paid	3,750	3,912	135	138
Closing balance at 31 March	**(89,993)**	**(128,456)**	**(1,155)**	**(1,625)**

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. In July 2020, DLUHC published a consultation on proposed remedies for the LGPS to remove age discrimination. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer has a benefit entitlement from the Fund). A government reponse to the consultation was published in April 2023 alonside an announcement of a further period of consultation.

Although amendments to the regulations underpinning the LGPS are not expected to come into force until 1 October 2023 , the outcome of the two tribunals is nevertheless deemed to provide sufficient evidence of a legal obligation under age-discrimination legislation, resulting in a liability. As a consequence the IAS 19 post-employment benefit (LGPS) liabilities have since March 2020, included an allowance the additional liabilities arising from the McCloud judgement. This allowance is substantially in line with the remedy proposed by DLUHC. In 2022-23 no further adjustments were required in relation to the McCloud judgement.

32.6 Composition of Local Government pension scheme assets

Asset Class	Fair value of scheme assets	
	31/03/23 £'000	31/03/22 £'000
Cash & cash equivalents		
Quoted cash accounts	2,431	2,647
Net current assets	91	98
Sub-total: Cash & cash equivalents	2,522	2,745
Equities		
Quoted global equity pooled	25,243	24,902
Quoted UK equity pooled	4,488	5,000
Quoted overseas equity pooled	4,488	4,510
Sub-total: Equities	34,219	34,412
Bonds		
Unquoted UK government indexed pooled	13,089	16,569
Sub-total: Bonds	13,089	16,569
Property		
UK property	4,581	6,176
Unquoted property funds	2,618	2,745
Sub-total: Property	7,199	8,921
Alternatives (Unquoted)		
Private equity funds	7,573	5,980
Infrastructure funds	12,434	10,000
Real estate debt funds	0	0
Private debt fund	6,451	4,706
Healthcare royalties	1,496	1,275
Multi-asset credit	8,508	13,431
Sub-total: Alternatives	36,462	35,392
Total	**93,491**	**98,039**

32.7 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 2022 (2021-22: 31 March 2019).

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

	2022/23		2021/22	
	Beginning of period	End of period	Beginning of period	End of period
Post retirement mortality assumptions				
Life expectancy at 65 for current pensioners:				
- Male	22.6yrs	21.9yrs	22.7yrs	22.6yrs
- Female	25.3yrs	24.2yrs	25.3yrs	25.3yrs
Life expectancy for future pensioners ages 65 in 20 years' time:				
- Male	24.1yrs	23.3yrs	24.3yrs	24.1yrs
- Female	27.1yrs	26.0yrs	27.2yrs	27.1yrs
Financial assumptions				
Rate of CPI inflation	3.40%	2.70%	2.70%	3.40%
Rate of increase in salaries	4.90%	4.20%	4.20%	4.90%
Rate of increase in pensions	3.50%	2.80%	2.80%	3.50%
Rate for discounting scheme liabilities	2.80%	4.80%	2.10%	2.80%

32.8 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 31.3.23	(91,148)	93,491	2,343	1,172	(146)
+0.5% p.a. discount rate	(84,267)	93,491	9,224	1,005	(526)
+0.25% p.a. inflation	(94,857)	93,491	(1,366)	1,269	35
+0.25% p.a. pay growth	(91,658)	93,491	1,833	1,172	(118)
1 year increase in life expectancy	(93,049)	93,491	442	1,201	(51)
+1% change in 2022-23 investment returns	(91,148)	94,419	3,271	1,172	(190)
-1% change in 2022-23 investment returns	(91,148)	92,563	1,415	1,172	(101)

	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 31.3.22	(130,081)	98,039	(32,042)	2,434	871
+0.1% p.a. discount rate	(127,937)	98,039	(29,898)	2,369	840
'+0.1% p.a. inflation	(132,261)	98,039	(34,222)	2,500	934
+0.1% p.a. pay growth	(130,305)	98,039	(32,266)	2,434	879
1 year increase in life expectancy	(133,996)	98,039	(35,957)	2,512	983
+1% change in 2021-22 investment returns	(130,081)	99,012	(31,069)	2,434	844
'-1% change in 2021-22 investment returns	(130,081)	97,066	(33,015)	2,434	898

32.9 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 Scheme's 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 Scheme'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 by taking a prudent longer-term view of funding those liabilities
- 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.

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. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. 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. The Scheme seeks to mitigate losses due to adverse movements in foreign currency exchange rates through investing in a diversified portfolio of assets, using active management and private market funds that are currency-hedged back to sterling where possible.

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 creditworthiness of all counterparties and the scheme's exposure to credit and counterparty risk is reviewed on a regular basis.

Liquidity risks

Liquidity risk represents the risk that the Scheme will not be able to meet its financial obligations as they fall due. To mitigate this risk the Fund undertakes cashflow planning, monitoring and management throughout the year and works closely with the Fund's investment advisors and actuary to consider the options to address any potential cashflow implications.

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.

32.10 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 2022. This showed an excess of assets over liabilities of £0.309 billion (assets of £3.318 billion against accrued liabilities of £3.009 billion), equivalent to a solvency funding level of 110% of the Scheme's liabilities. At the previous valuation (31 March 2019) the 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. The key reasons for the changes between the two valuations include the level investment returns achieved compared to assumptions, changes to life expectancy assumptions less the impact of observed inflation during the period September 2021 to March 2022.

Projected contributions to the scheme in 2023-24

Projected employer contributions which the Authority expects to pay in 2023-24 is £1,390k (2022-23: £1,856k). This comprises normal contributions of £1,255k (2021-22: £1,170k), deficit funding contributions of £0k (2022-23: £548k) and a recharge of unfunded benefits of £135k (2022-23: £138k).

The weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 17 years (2021-22: 17 years).

33. Financial Instruments

33.1 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 2023					
Long-term investments	23	0	651	0	651
Short-term debtors	25	4,190	0	3,703	7,893
Cash & cash equivalents	27	3,301	19,352	0	22,653
Total for category		**7,491**	**20,003**	**3,703**	**31,197**

	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 2022					
Long-term investments	23	0	547	0	547
Short-term debtors	25	3,568	0	7,118	10,686
Cash & cash equivalents	27	8,069	16,260	0	24,329
Total for category		**11,637**	**16,807**	**7,118**	**35,562**

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2023				
Long-term borrowing	28	(14,460)	0	(14,460)
Long-term creditors	-	0	0	0
Short-term borrowing	28	(991)	0	(991)
Short-term creditors	29	(2,122)	(6,531)	(8,653)
Total for category		**(17,573)**	**(6,531)**	**(24,104)**

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2022				
Long-term borrowing	28	(15,170)	0	(15,170)
Bank overdraft	27	(1,129)	0	(1,129)
Short-term borrowing	28	(986)	0	(986)
Short-term creditors	29	(2,006)	(17,075)	(19,081)
Total for category		**(19,291)**	**(17,075)**	**(36,366)**

Information about the fair value at each class of financial instruments is given in notes 33.5 and 33.6.

33.2 Material Soft Loans made by the Authority

The Authority does not have any material soft loans.

33.3 Reclassification of financial assets

There has been no reclassification of financial assets during 2022-23 (2021-22: nil).

33.4 Defaults and breaches

There have been no defaults of loans payable as at 31 March 2023 (31 March 2022: nil).

33.5 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	31/03/23 £'000	31/03/22 £'000
Money Market Funds (AAA rated)	27	1	19,352	16,260
Unquoted Equity Investments (shares)	23	2	13	12
Secured 12% loan notes - AIP LLP	23	3	638	535
Loans to third parties	-	3	0	0

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 2023, the fair value estimate has been calculated by discounting the expected cash flows totalling £692,652 (2022: £658,801) over an expected term of up to 1 year (31 March 2022: 2 years) at a discount rate of 13% (2022: 11%).

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.

	2022/23		
	AIP LLP loan notes £'000	Loans to third parties £'000	Total £'000
Carrying amount at 1 April 2022	535	0	535
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services[1]	103	0	103
Additions	0	0	0
Disposals	0	0	0
Carrying amount at 31 March 2023	**638**	**0**	**638**

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

	2021/22		
	AIP LLP loan notes £'000	Loans to third parties £'000	Total £'000
Carrying amount at 1 April 2021	1,317	458	1,775
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services[1]	43	5	48
Additions	0	0	0
Disposals	(825)	(463)	(1,288)
Carrying amount at 31 March 2022	**535**	**0**	**535**

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

At 31 March 2023, 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:

At 31 March 2023	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	4	(4)	-	-
• 6 month acceleration/delay in timing of expected cash flows	-	-	(31)	38
Loans to third parties				
• 1% change in interest rate used to discount cash flows	0	0	-	-

At 31 March 2022	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	10	(10)	-	-
• 6 month acceleration/delay in timing of expected cash flows	-	-	(29)	27
Loans to third parties				
• 1% change in interest rate used to discount cash flows	0	0	-	-

33.6 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 31/03/23 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(15,366)	-	-	(17,827)	(17,827)
At 31 March 2023	**(15,366)**	**-**	**-**	**(17,827)**	**(17,827)**

	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31/03/22 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(16,071)	-	-	(23,558)	(23,558)
At 31 March 2022	**(16,071)**	**-**	**-**	**(23,558)**	**(23,558)**

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 debt, 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 £17,827k (31.3.22: £23,558k) 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 £19,970k (31.3.22: £27,844k).

34. Cash Flows from Operating Activities

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

	2022/23 £'000	2021/22 £'000
Net Surplus or (Deficit) on the Provision of Services	143	(889)
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	2,129	2,101
Amortisation	18	7
Impairment and downward valuations	(301)	141
(Gain)/loss on derecognition of long-term investments	0	(323)
Increase/(Decrease) in interest creditors	(4)	(4)
Increase/(Decrease) in creditors	(6,487)	(3,945)
(Increase)/Decrease in interest and dividend debtors	0	232
(Increase)/Decrease in debtors	652	1,201
(Increase)/Decrease in inventories	(1,718)	(93)
Movement in pension liability	1,596	1,660
Contributions to/(from) provisions	(116)	(294)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	83	110
Movement in investment property values	698	(380)
Other non-cash items	194	281
	(3,256)	**694**
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		
Capital Grants credited to surplus or deficit on the provision of services	(2,706)	(1,436)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113)	(130)
	(2,819)	**(1,566)**
Net Cash Flows from Operating Activities	**(5,932)**	**(1,761)**

34.2 Cash Flows from Operating Activities (Interest)

	2022/23 £'000	2021/22 £'000
Cash flows from interest receivable		
Interest and dividends receivable (note 9)	738	63
Opening debtor	309	541
Closing debtor	(309)	(309)
Other non-cash items	(104)	(43)
Interest Received	**634**	**252**
Cash flows from interest payable		
Interest charge for year	(807)	(827)
Opening creditor	(201)	(205)
Closing creditor	198	201
Interest Paid	**(810)**	**(831)**

35. Cash Flows from Investing Activities

	2022/23 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,954)	(2,123)
Proceeds from the sale of property plant & equipment, investment property and intangible assets	97	130
Capital grants repaid	0	0
Capital Grants received	11,231	5,645
Proceeds from redemption of long-term investments	0	620
Other receipts from Investing Activities	0	430
Total Cash Flows from Investing Activities	**9,374**	**4,702**

36. Cash Flows from Financing Activities

	2022/23 £'000	2021/22 £'000
Cash receipts from short and long- term borrowing	0	0
Billing Authorities - Council Tax and NNDR adjustments	4,323	3,921
Repayment of short-term and long-term borrowing	(701)	(692)
Covid-19 Funding (grant support to businesses)	(7,611)	5,434
Total Cash Flows from Financing Activities	**(3,989)**	**8,663**

37. Reconciliation of Liabilities arising from Financing Activities

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

	1 April 2022	Financing cash flows	Other changes		31 March 2023
			Acquisition	Other[1]	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	15,170	0	0	(710)	14,460
Short-term borrowings	986	(701)	0	706	991
	16,156	(701)	0	(4)	15,451
Billing Authorities - Council Tax and NNDR adjustments[2]	(5,383)	4,323	0	0	(1,060)
Covid-19 Funding (grant payments to businesses)[3]	4,248	(2,121)	0	0	2,127
Council Tax rebate & Energy Support Funding	6,095	(5,490)	**0**	**0**	605
Total liabilities from financing activities	**21,116**	**(3,989)**	**0**	**(4)**	**17,123**

	1 April 2021	Financing cash flows	Other changes		31 March 2022
			Acquisition	Other[1]	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	15,871	0	0	(701)	15,170
Short-term borrowings	981	(692)	0	697	986
	16,852	(692)	0	(4)	16,156
Billing Authorities - Council Tax and NNDR adjustments[2]	(9,304)	3,921	0	0	(5,383)
Covid-19 Funding (grant payments to businesses)[3]	4,909	(661)	0	0	4,248
Council Tax rebate & Energy Support Funding	0	6,095	0	0	6,095
Total liabilities from financing activities	**12,457**	**8,663**	**0**	**(4)**	**21,116**

[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] Billing Authorities - Council Tax and NNDR adjustments 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.

[3] Covid-19 Funding (grant payments to businesses) comprises the difference between grant funding received by the Authority and grant payments made to local business, in respect of financial support packages for which the Authority is acting as an intermediary (agent) for the relevant central government department.

38. Nature and extent of risks arising from financial instruments

38.1 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 the CIPFA Code of Practice for Treasury Management in Public Services and Department for Levelling Up, Housing and Communities (DLUHC) (formerly the Ministry of Housing, Communities & Local Government (MHCLG)) 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.

38.2 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 DLUHC's 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.

38.3 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 last four years), 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 are 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 2023 and 31 March 2022 for trade receivables is as follows:

At 31 March 2023 **Past due status**	**Total[1]** **£'000**	**Not past due (0 to 30 days)** **£'000**	**31 - 60 days** **£'000**	**61 -90 days** **£'000**	**Over 90 days** **£'000**
Debtors individually assessed	29	0	0	0	29
Expected credit loss (individually assessed)	(29)	0	0	0	(29)
Debtors collectively assessed	2,689	2,430	54	14	191
Loss rate	-	2%	4%	7%	15%
Expected credit loss (collectively assessed)	(80)	(49)	(2)	(1)	(28)
Total Lifetime Expected credit losses	**(109)**	**(49)**	**(2)**	**(1)**	**(57)**

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

At 31 March 2022 **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	32	0	0	0	32
Expected credit loss (individually assessed)	(32)	0	0	0	(32)
Debtors collectively assessed	2,842	2,613	24	4	201
Loss rate	-	2%	5%	9%	17%
Expected credit loss (collectively assessed)	(88)	(52)	(1)	(0)	(34)
Total Lifetime Expected credit losses	**(120)**	**(52)**	**(1)**	**(0)**	**(66)**

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

The closing balance of the trade receivables loss allowance at 31 March 2023 reconciles with the trade receivables loss allowance opening balance as follows:

	2022/23 **£'000**	**2021/22** **£'000**
Opening loss allowance as at 1 April (IFRS 9)	(120)	(104)
Loss allowance recognised during the year	(30)	(34)
Receivables written off during the year	41	18
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	**(109)**	**(120)**

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

All short-term investments with banks and other financial institutions (including those classified as cash and cash equivalents), 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	31/03/23 £'000	31/03/22 £'000
Call accounts	AA-	0	0
Call accounts	A+	12	6,561
Call accounts	A	2,898	1,276
Current account	A	174	0
		3,084	**7,837**
Other bank deposits	A	204	213
		3,288	**8,050**

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% (2021-22: 0.02% to 0.05%). The 12-month expected credit loss on these assets at 31 March 2023 and 31 March 2022 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 2023, the gross carrying amount of long-term debtors measured at amortised cost is £58,095 (31 March 2022: £58,095).

The closing balance of the loss allowance for other receivables at 31 March 2023 reconciles with the other receivables loss allowance opening balance as follows:

	2022/23 £'000	2021/22 £'000
Opening loss allowance as at 1 April	(58)	(58)
Loss allowance recognised during the year (lifetime ECLs)	0	0
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)**

38.4 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 33.

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 9). 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.

38.5 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.

38.6 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.

38.7 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 2023	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	(1,497)	(31)	(54)	(1,582)	0	(2,122)	(3,704)
12 months and within 24 months	(1,484)	0	0	(1,484)	0	0	(1,484)
24 months and within 5 years	(4,018)	0	0	(4,018)	0	0	(4,018)
5 years and within 10 years	(4,940)	0	0	(4,940)	0	0	(4,940)
10 years and within 20 years	(7,714)	0	0	(7,714)	0	0	(7,714)
20 years and within 30 years	(5,390)	0	0	(5,390)	0	0	(5,390)
30 years and within 40 years	(9,816)	0	0	(9,816)	0	0	(9,816)
	(34,859)	(31)	(54)	**(34,944)**	0	(2,122)	**(37,066)**
Effect of discounting	19,689	0	0	19,689	0	0	19,689
Interest accrual	(196)	0	0	(196)	0	0	(196)
Balance sheet carrying amount at 31 March 2023	**(15,366)**	**(31)**	**(54)**	**(15,451)**	**0**	**(2,122)**	**17,573)**

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

At 31 March 2022	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	(1,510)	(31)	(54)	(1,595)	(1,129)	(2,006)	(4,730)
12 months and within 24 months	(1,497)	0	0	(1,497)	0	0	(1,497)
24 months and within 5 years	(4,413)	0	0	(4,413)	0	0	(4,413)
5 years and within 10 years	(5,332)	0	0	(5,332)	0	0	(5,332)
10 years and within 20 years	(7,949)	0	0	(7,949)	0	0	(7,949)
20 years and within 30 years	(5,582)	0	0	(5,582)	0	0	(5,582)
30 years and within 40 years	(10,086)	0	0	(10,086)	0	0	(10,086)
	(36,369)	(31)	(54)	**(36,454)**	(1,129)	(2,006)	**(39,589)**
Effect of discounting	20,498	0	0	20,498	0	0	20,498
Interest accrual	(200)	0	0	(200)	0	0	(200)
Balance sheet carrying amount at 31 March 2022	**(16,071)**	**(31)**	**(54)**	**(16,156)**	**(1,129)**	**(2,006)**	**(19,291)**

38.8 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 or 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 2023 all PWLB borrowing was at fixed rates (2022: 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	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
(Surplus) or Deficit on the Provision of Services	218	4	(218)	(230)
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 £352,805 (2021-22: £312,576). A 1% decrease in market rates of interest would have increased net interest payable by £352,805 (2021-22: £18,077).

38.9 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.

38.10 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.

39. Leases

39.1 Operating Lease – Authority as Lessee

The Authority leases a Multi-Storey car park in Workington, properties used to meet homeless accommodation needs, vehicles and office equipment. Future minimum lease payments under non-cancellable operating leases as at 31 March are as follows:

At 31 March 2023	Future minimum rent payable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Property Leases	340	1,440	6,151
Ground Rent	0	0	0
Vehicles & equipment	40	32	0
	380	**1,472**	**6,151**

At 31 March 2022	Future minimum rent payable		
	Within 1 year £'000	Between 2 & 5 years £'000	After 5 years £'000
Property Leases	337	1,388	6,541
Ground Rent	0	0	0
Vehicles & equipment	39	6	0
	376	**1,394**	**6,541**

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

	2022/23			2021/22		
	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	350	0	0	335	0	0
Ground Rent	0	0	0	0	0	0
Vehicles	55	0	0	57	0	0
	405	**0**	**0**	**392**	**0**	**0**

39.2 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 2023	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	68	273	2,474
Shops, Sub Stations & Other	407	1,448	54,047
	484	**1,721**	**56,521**

At 31 March 2022	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	85	337	3,822
Shops, Sub Stations & Other	440	1,578	55,278
	534	**1,915**	**59,100**

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 2022-23, £836,129 of contingent rents were receivable by the Authority (2021-22: £935,214).

40. 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 32
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 to March 2023, the Authority made payments to the Company for waste collection and recycling services of £4,285,215 (2021-22: £3,947,410).

During 2022-23, the Authority made sales and recharged costs to the company totalling £146,759 (2021-22: £144,123). The Authority also paid and recharged the Company payroll costs totalling £2,377,909 (2021-22: £2,170,697).

At 31 March 2023, amounts owed by the Company to the Authority totalled £301,293 (31 March 2022: £336,211 (£349,211 inclusive of VAT)).

During 2022-23 and 2021-22, the company occupied property and had use of vehicles owned by the Authority. No amounts were paid to Allerdale Borough Council in return for use of these assets.

Transactions with Joint Ventures

At 31 March 2023 and 31 March 2022, 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 (principal only) of £917,121 (31 March 2022: £917,121). The balance held comprises:

- £1,522,500 in respect of loan notes issued in 2014-15 in connection with the sale of surplus land to wholly owned subsidiaries of the partnership
- £222,000 in respect of additional loan notes issued in 2015-16

  less

- principal repayments of £206,953 and £620,426 made in 2018-19 and 2021-22 respectively.

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.

To date repayments of £1,075,000 in respect of principal and interest (for periods ending on or before 31 March 2017) have been received by the Authority in 2018-19 (£250,000) and 2021-22 (£825,000).

At 31 March 2023, the balance of principal and interest outstanding on the Allerdale Investment Partnership LLP Secured 12% Investor Loan Notes 2034 was £1,222,300 (31 March 2022: £1,222,300). These loan notes are reported in the Authority's balance sheet at 31 March 2023 at a carrying value (fair value) of £638,452 (31 March 2022: £534,698).

41. Contingent Assets and Liabilities

41.1 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.

41.2 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 £91,174 against claim payments of £414,698. At 31 March 2023, 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 £273,524 (31 March 2022: £273,224).

42. Trust Funds

42.1 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 2022-23 the Trust received a contribution of £19,830 (2021-22: £15,965) 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	2022/23 £	2021/22 £
Income		
Contribution from Allerdale Borough Council	(19,830)	(15,965)
Donations	0	0
Total Income	(19,830)	(15,965)
Expenditure		
Direct charitable expenditure	19,830	15,965
(Gain)/loss on disposal of fixed assets	0	0
Total Expenditure	19,830	15,965
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	31/03/23 £	31/03/22 £
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**

42.2 **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 2021-22 the Trust received from Allerdale Borough Council a contribution of £83,301 (2021-22: £108,205, including £41,635 in respect of capitalised expenditure. 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	2022/23 £	2021/22 £
Income		
Contribution from Allerdale Borough Council	(83,301)	(108,205)
Investments	0	0
Total Income	(83,301)	(108,205)
Expenditure		
Direct charitable expenditure	83,301	66,570
Depreciation of buildings	19,308	23,730
Revaluation and impairment of fixed assets	0	105,474
Total Expenditure	102,609	195,774
Net (income)/Expenditure for the year		
Other gains and losses		
(Gain)/loss on revaluation of fixed assets	0	153,756
Net (increase)/decrease in funds	**19,308**	**241,325**

Summary Balance Sheet	31/03/23 £	31/03/22 £
Tangible Assets	585,692	605,000
Heritage Assets	565,975	565,975
Investments	12,361	12,361
Total Fixed Assets	**1,164,028**	**1,183,336**
Cash & cash equivalents	0	0
Total Current Assets	**0**	**0**
Net Assets	**1,164,028**	**1,183,336**
Represented by:		
Restricted fund - Tangible assets	453,798	473,106
Revaluation reserve - Tangible assets	131,894	131,894
Restricted fund - Heritage assets	1,000	1,000
Revaluation reserve - Heritage assets	564,975	564,975
Restricted fund - Permanent endowment	12,361	12,361
	1,164,028	**1,183,336**

42.3 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 2023 the total value of these funds was £41,795 (31 March 2022: £41,795).

43. Events After the Balance Sheet Date

Authorisation of the statement of accounts

The Statement of Accounts was re-certified by the Chief Finance Officer (Section 151 Officer), and authorised for issue, on 17 September 2024.

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 2023, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

Local government reorganisation

Information relating to local government reorganisation and abolition of the Authority on 1 April 2023 can be found in note 1 to the financial statements and section 2 of the Narrative Report.

Collection Fund

Income and Expenditure Account 2022/23

	2022/23			2021/22		
	Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
INCOME						
Council Tax Receivable	-	65,503	65,503	-	63,350	63,350
Business Rates Receivable	24,611	-	24,611	21,325	-	21,325
Contribution towards previous year's estimated deficit	8,349		8,349	15,349	-	15,349
Transitional Protection Payments	0		0	41	-	41
	32,960	**65,503**	**98,463**	**36,715**	**63,350**	**100,065**
EXPENDITURE						
Precepts (note 4)						
Allerdale Borough Council	-	8,351	8,351	-	8,119	8,119
Cumbria County Council	-	47,416	47,416	-	46,274	46,274
Police & Crime Commissioner for Cumbria	-	8,756	8,756	-	8,407	8,407
Business Rates (note 5)						
Payments to Central Government	12,657	-	12,657	14,599	-	14,599
Allerdale Borough Council	10,126	-	10,126	11,679	-	11,679
Cumbria County Council	2,532	-	2,532	2,920	-	2,920
Transitional Protection Payments	115	-	115	0	-	0
Cost of Collection	185	-	185	182	-	182
Disregarded Amounts	592	-	592	521	-	521
Contribution towards previous year's estimated surplus	0	180	180	0	31	31
Bad and Doubtful Debts						
Write-off of uncollectable amounts	44	337	381	92	171	263
Movement in allowance for impairment	75	325	400	(231)	398	167
Movement in provision for NNDR appeals	(171)	-	(171)	(225)	-	(225)
	26,155	**65,365**	**91,520**	**29,537**	**63,400**	**92,937**
Movement on Collection Fund						
Surplus/(Deficit) for year	6,806	138	6,944	7,178	(50)	7,128
Surplus/(Deficit) at 1 April	(8,181)	(252)	(8,433)	(15,359)	(202)	(15,561)
Surplus/(Deficit) at 31 March	**(1,375)**	**(114)**	**(1,489)**	**(8,181)**	**(252)**	**(8,433)**
Allocation of Surplus/(Deficit):						
Central Government	(688)	-	(688)	(4,091)	-	(4,091)
Allerdale Borough Council	(550)	(15)	(564)	(3,272)	(33)	(3,305)
Cumbria County Council	(137)	(84)	(221)	(818)	(185)	(1,003)
Police & Crime Commissioner for Cumbria	-	(15)	(16)	-	(34)	(34)
	(1,375)	**(114)**	**(1,489)**	**(8,181)**	**(252)**	**(8,433)**

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 2022-23 of 31,031.82 (2021-22: 30,889.76) 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% (2021-22: 98.5%).

The basic amount of Council Tax for a Band D property for 2022-23 of £1,989.87 (2021-22: £1,949.92) 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	2022/23		2021/22	
		Basic amount of Council Tax[1] £'000	Band D equivalent number of chargeable dwellings	Basic amount of Council Tax[1] £'000	Band D equivalent number of chargeable dwellings
Band A	6/9	1,326.57	9,777.08	1,299.94	9,804.55
Band B	7/9	1,547.68	5,061.65	1,516.61	5,065.74
Band C	8/9	1,768.77	5,780.53	1,733.26	5,734.37
Band D	9/9	1,989.87	5,168.52	1,949.92	5,097.61
Band E	11/9	2,432.06	3,461.07	2,383.23	3,455.22
Band F	13/9	2,874.26	1,532.66	2,816.56	1,484.21
Band G	15/9	3,316.44	689.98	3,249.86	685.55
Band H	18/9	3,979.74	32.90	3,899.84	32.90
Equivalent Chargeable Dwellings			**31,504.39**		**31,360.15**
Tax Base: % (2022-23: 98.5%) of chargeable dwellings			**31,031.82**		**30,889.76**

[1] excluding parish element

The Council Tax income for 2022-23 of £65,503,336 (2021-22: £63,350,009) comprises:

	2022/23 £	2021/22 £
Billed to Council Tax payers	82,649,491	80,124,930
Council Tax Benefit overpayments[1]	(200)	2,520
Total receivable from taxpayers	82,649,291	80,127,450
Discounts & exemptions	(17,167,470)	(16,788,212)
	65,481,821	63,339,238
Covid-19 Hardship Discount	(1,816)	(1,001)
Care Leavers (transfer from General Fund)	23,188	14,381
Flood relief (transfer from General Fund)	(57)	(89)
Council Tax Benefit overpayments[1]	200	(2,520)
	65,503,336	**63,350,009**

[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 2022-23, the total non-domestic rateable value at the year-end was £80.58m (2021-22: £80.08m). The national multipliers for 2022-23 were 49.9p (2021-22: 49.9p) for qualifying Small Businesses, and 51.2p for all other businesses (2021-22: 51.2p).

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:

2022/23	Precept £	Surplus[1] £	Total £
Allerdale Borough Council	8,350,733	23,273	8,374,006
Cumbria County Council	47,416,622	132,670	47,549,292
Police and Crime Commissioner for Cumbria	8,755,628	24,094	8,779,722

[1] distribution based on estimated 2021-22 surplus/deficit at 15 January 2022

2021/22	Precept £	Surplus[1] £	Total £
Allerdale Borough Council	8,118,670	4,108	8,122,778
Cumbria County Council	46,274,096	23,276	46,297,372
Police and Crime Commissioner for Cumbria	8,406,957	4,291	8,411,248

[1] distribution based on estimated 2020-21 surplus/deficit at 15 January 2021

5. Non-Domestic Rates – Payments

2022/23	NNDR income[1] £	Surplus/ (deficit)[2] £	Total £
Allerdale Borough Council (transfer from General fund)[1]	10,126,072	(3,339,583)	6,786,489
Cumbria County Council	2,531,518	(834,896)	1,696,622
Central Government	12,657,591	(4,174,479)	8,483,112

2021/22	NNDR income[1] £	Surplus/ deficit[2] £	Total £
Allerdale Borough Council (transfer from General fund)[1]	11,679,020	(6,139,519)	5,539,501
Cumbria County Council	2,919,755	(1,534,880)	1,384,875
Central Government	14,598,775	(7,674,399)	6,924,376

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

[2] distribution based on estimate of cumulative surplus/deficit at end of preceding year calculated at 31 January of the preceding year

Group Comprehensive Income and Expenditure Statement

	Note	2022/23			2021/22		
		Exp. £'000	Inc. £'000	Net £'000	Exp. £'000	Inc. £'000	Net £'000
Finance & Legal		3,139	(715)	2,424	7,028	(2,853)	4,175
Economic Growth, Community Development & Placemaking		5,438	(2,323)	3,115	4,659	(2,082)	2,577
Environmental Services		11,332	(7,441)	3,891	11,498	(7,510)	3,988
Policy, Governance & People Resources		7,527	(4,469)	3,058	5,679	(3,232)	2,447
Leisure & Tourism		1,040	(438)	602	918	(341)	577
Customer Experience & Innovation		18,823	(16,117)	2,706	18,908	(16,058)	2,850
Cost of Services		**47,299**	**(31,503)**	**15,796**	**48,690**	**(32,076)**	**16,614**
(Gains)/losses on disposal of non-current assets				15			0
Parish council precepts				2,774			2,567
Other Operating Expenditure				**2,789**			**2,567**
Financing and Investment Income and Expenditure	G3			**159**			**(430)**
Capital grants and contributions	10			(2,706)			(1,436)
Unringfenced revenue grants	10			(5,786)			(7,164)
Council tax income	10			(8,392)			(8,116)
Non-domestic rates income and expenditure	10			(1,928)			(1,010)
Taxation and non-specific grant income and expenditure				**(18,812)**			**(17,726)**
(Surplus) or Deficit on Provision of Services				**(68)**			**1,025**
Share of surplus or deficit on the provision of services by associates and joint ventures				0			0
Tax expenses/(income) of group entities - Deferred Tax				(11)			(9)
Group (Surplus)/Deficit				**(79)**			**1,016**
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services							
(Surplus)/deficit on revaluation of non-current assets				(5,493)			(2,873)
Remeasurement of the net defined benefit liability	G14			(32,470)			(7,671)
Tax relating to components of other comprehensive income				(3)			27
Share of other comprehensive income of associates and joint ventures				0			0
Other Comprehensive Income and Expenditure				**(37,966)**			**(10,517)**
Total Comprehensive Income and Expenditure				**(38,045)**			**(9,501)**

Group Movement in Reserves Statement

2022/23	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 2022		**10,626**	**1,236**	**1,470**	**13,332**	**33,172**	**46,504**	**2,368**	**48,872**
Surplus or (deficit) on provision of services		4,384	0	0	**4,384**	0	**4,384**	**(4,305)**	**79**
Other Comprehensive Income and Expenditure		0	0	0	**0**	37,976	**37,976**	(10)	**37,966**
Total Comprehensive Income and Expenditure		**4,384**	**0**	**0**	**4,384**	**37,976**	**42,360**	**(4,315)**	**38,045**
Adjustments between Group and Authority Only Accounts	G4	(4,241)	0	0	**(4,241)**	0	**(4,241)**	**4,241**	**0**
Adjustments between accounting basis & funding basis under regulations	15	(2,467)	(439)	104	**(2,802)**	2,802	**0**	**0**	**0**
Increase / (Decrease) in Year		**(2,324)**	**(439)**	**104**	**(2,659)**	**40,778**	**38,119**	**(74)**	**38,045**
Balance at 31 March 2023		**8,302**	**797**	**1,574**	**10,673**	**73,950**	**84,623**	**2,294**	**86,917**

2021/22	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 2021		**13,628**	**862**	**863**	**15,353**	**21,486**	**36,839**	**2,532**	**39,371**
Surplus or (deficit) on provision of services		3,038	0	0	**3,038**	0	**3,038**	**(4,054)**	**(1,016)**
Other Comprehensive Income and Expenditure		0	0	0	**0**	10,554	**10,554**	(37)	**10,517**
Total Comprehensive Income and Expenditure		**3,038**	**0**	**0**	**3,038**	**10,554**	**13,592**	**(4,091)**	**9,501**
Adjustments between Group and Authority Only Accounts	G4	(3,927)	0	0	**(3,927)**	0	**(3,927)**	**3,927**	**0**
Adjustments between accounting basis & funding basis under regulations	15	(2,113)	374	607	**(1,132)**	1,132	**0**	**0**	**0**
Increase / (Decrease) in Year		**(3,002)**	**374**	**607**	**(2,021)**	**11,686**	**9,665**	**(164)**	**9,501**
Balance at 31 March 2022		**10,626**	**1,236**	**1,470**	**13,332**	**33,172**	**46,504**	**2,368**	**48,872**

Group Balance Sheet

	Note	At 31/03/23 £'000	At 31/03/22 £'000
Property, Plant & Equipment	G6	67,204	62,278
Heritage Assets	G7	2,969	2,865
Investment Property	20	24,724	25,123
Intangible Assets	-	81	32
Long-term Investments	23	651	547
Investments in Associates & Joint Ventures	-	0	0
Long-term Debtors	-	0	0
Defined Benefit Pension Scheme	G14	0	0
Long-term Assets		**95,629**	**90,845**
Short-term Investments	-	0	0
Inventory	G9	2,523	782
Short-term Debtors	G10	7,607	10,316
Prepayments	-	406	1,826
Cash and Cash Equivalents	G11	23,107	24,758
Current Assets		**33,643**	**37,682**
Bank Overdraft	G11	0	(1,129)
Short-term Borrowing	G12	(979)	(974)
Short-term Creditors	G13	(8,982)	(19,250)
Contract and Other liabilities	30	(15,672)	(9,889)
Provisions	31	(1,002)	(1,087)
Current Liabilities		**(26,635)**	**(32,329)**
Provisions	31	(105)	(136)
Long-term Borrowing	G12	(14,460)	(15,170)
Defined Benefit Pension Scheme	G14	(1,155)	(32,008)
Deferred Tax Liability		0	(12)
Long-term Liabilities		**(15,720)**	**(47,326)**
Net Assets		**86,917**	**48,872**
Usable Reserves	G5	10,707	13,421
Unusable Reserves	G5	76,210	35,451
Total Reserves		**86,917**	**48,872**

Group Cash Flow Statement

	Note	2022/23 £’000	2021/22 £'000
Net surplus or (deficit) on the provision of services	-	79	(1,016)
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	G16	(3,152)	(711)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(2,819)	(1,566)
Net cash flows from Operating Activities		**(5,892)**	**(3,293)**
Net cash flows from Investing Activities	G17	9,359	4,657
Net cash flows from Financing Activities	36	(3,989)	8,663
Net increase or (decrease) in cash and cash equivalents		**(522)**	**10,027**
Cash and cash equivalents at the beginning of the reporting period	G11	23,629	13,602
Cash and cash equivalents at the end of the reporting period	G11	**23,107**	**23,629**

Notes to the Group Accounts

G1. Expenditure and Funding Analysis

	2022/23			2021/22		
	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	4,162	(1,738)	2,424	5,777	(1,602)	4,175
Economic Growth, Community Development & Placemaking	296	2,819	3,115	13	2,564	2,577
Environmental Services	2,839	1,052	3,891	2,518	1,470	3,988
Policy, Governance & People Resources	2,932	126	3,058	2,732	(285)	2,447
Leisure & Tourism	354	248	602	361	216	577
Customer Experience & Innovation	2,275	431	2,706	2,439	411	2,850
Net Cost of Services	**12,858**	**2,938**	**15,796**	**13,840**	**2,774**	**16,614**
Other Operating Expenditure	2,774	15	2,789	2,567	0	2,567
Financing and Investment Income & Expenditure	0	159	159	0	(430)	(430)
Capital expenditure financed from GF balances	16	(16)	0	0	0	0
Taxation & non-ringfenced grants	(13,324)	(5,488)	(18,812)	(13,405)	(4,321)	(17,726)
Other Income and Expenditure	**(10,534)**	**(5,330)**	**(15,864)**	**(10,838)**	**(4,751)**	**(15,589)**
Income tax (income)/expense - Deferred tax	0	(11)	(11)	0	(9)	(9)
(Surplus) or Deficit on the General Fund	**2,324**	**(2,403)**	**(79)**	**3,002**	**(1,986)**	**1,016**
Opening General Fund Balance	(10,626)			(13,628)		
(Surplus) or Deficit on General Fund in Year	2,324			3,002		
Closing General Fund Balance at 31 March	**(8,302)**			**(10,626)**		

G1.1 Adjustments between the Funding and Accounting Basis

2022/23	Reallocation of Other Income & Expenditure (Note 6.1 b) £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	Consolidation Adjustments[1] £000	Total £000
Finance & Legal	(219)	(1,139)	(385)	(25)	30	(1,738)
Economic Growth, Community Development & Placemaking	1,475	1,054	237	(18)	71	2,819
Environmental Services	0	1,034	120	(4)	(98)	1,052
Policy, Governance & People Resources	0	(139)	304	(41)	2	126
Leisure & Tourism	0	161	65	3	19	248
Customer Experience & Innovation	0	18	387	(19)	45	431
Net Cost of Services	**1,256**	**989**	**728**	**(104)**	**69**	**2,938**
Other Operating Expenditure	0	15	0	0	0	15
Financing and Investment Income and Expenditure	(1,256)	553	868	(12)	6	159
Capital expenditure charged to General Fund Balances	0	(16)	0	0	0	(16)
Taxation & non-ringfenced grants	0	(2,706)	0	(2,782)	0	(5,488)
Other income & expenditure from Expenditure & Funding Analysis	**(1,256)**	**(2,154)**	**868**	**(2,794)**	**6**	**(5,330)**
Income tax (income) /expense - Deferred tax	0	0	0	0	(11)	(11)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**(1,165)**	**1,596**	**(2,898)**	**64**	**(2,403)**

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

2021/22	Reallocation of Other Income & Expenditure (Note 6.1 b) £'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	Consolidation Adjustments[1] £'000	Total £'000
Finance & Legal	(642)	(1,090)	98	(11)	43	(1,602)
Economic Growth, Community Development & Placemaking	1,535	739	248	(12)	54	2,564
Environmental Services	0	1,707	(134)	(1)	(102)	1,470
Policy, Governance & People Resources	0	(581)	267	20	9	(285)
Leisure & Tourism	0	74	51	4	87	216
Customer Experience & Innovation	0	28	356	(12)	39	411
Net Cost of Services	**893**	**877**	**886**	**(12)**	**130**	**2,774**
Other Operating Expenditure	0	0	0	0	0	0
Financing and Investment Income and Expenditure	(893)	(305)	774	(12)	6	(430)
Capital expenditure charged to General Fund Balances	0	0	0	0	0	0
Taxation & non-ringfenced grants	0	(1,436)	0	(2,885)	0	(4,321)
Other income & expenditure from Expenditure & Funding Analysis	**(893)**	**(1,741)**	**774**	**(2,897)**	**6**	**(4,751)**
Income tax (income) /expense - Deferred tax	0	0	0	0	(9)	(9)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**0**	**(864)**	**1,660**	**(2,909)**	**127**	**(1,986)**

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

G2. Expenditure and Income analysed by Nature

	2022/23 £'000	2021/22 £'000
Fees, charges & other service income	(9,883)	(9,704)
Interest & investment income (interest receivable)	(738)	(63)
Income & expenditure relating to investment properties	(1,470)	(1,530)
Income from council tax & business rates	(10,320)	(9,126)
Grants, contributions and donations	(30,112)	(30,972)
Change in fair value of investment properties	-	(380)
Total Income	**(52,523)**	**(51,775)**
Employee expenses	14,034	13,389
Other service expenses	31,358	32,823
Depreciation, amortisation, impairment and revaluation	1,907	2,396
Other amounts written-off non-current assets	0	82
Interest payments	809	828
Net interest on defined benefit pension liability	874	780
Precepts & levies	2,774	2,567
Impairment of financial assets (credit losses)	31	37
Gain or loss on disposal of non-current assets	(30)	(102)
Change in fair value of investment properties	698	-
Total operating expenses	**52,455**	**52,800**
Income tax (income)/expense - Deferred tax	(11)	(9)
(Surplus) or deficit on the provision of services	**(79)**	**1,016**

G.3 Financing and investment income and expenditure

	2022/23 £’000	2021/22 £’000
Interest payable and similar charges	807	827
Interest receivable and similar income	(738)	(63)
Income & expenditure relating to investment properties	(1,470)	(1,530)
Changes in fair values of investment properties	698	(380)
(Gains)/losses on disposal of investment properties	(45)	(102)
Net interest on the net defined benefit liability	874	780
Impairment (credit) losses on trade receivables	31	37
Unwinding of discount on provisions	2	1
	159	**(430)**

G4. Adjustments between Group Accounts and Authority Only Accounts

	2022/23 £'000	2021/22 £'000
Elimination of intra group transactions	4,241	3,927
Elimination of Authority's share of gains/losses on disposal of non-current assets to joint venture	0	0
	4,241	**3,927**

G5. Group Reserves

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

	31/03/23 £'000	31/03/22 £'000
Usable Reserves		
Usable Reserves – Authority Only Statements (note 16)	10,673	13,332
Designated Funds of Keswick Museum & Art Gallery	25	25
Designated Funds of Helena Thompson Museum	13	13
Allerdale Waste Services Limited - Profit & Loss Reserve	(4)	51
	10,707	**13,421**
Unusable Reserves		
Unusable Reserves - Authority Only Statements (note 17)	73,950	33,172
Designated Reserves of Keswick Museum & Art Gallery	1,109	1,109
Designated Reserves of Helena Thompson Museum	1,151	1,170
	76,210	**35,451**

G6. Property, Plant and Equipment

G6.1 Net book value of Property, Plant and Equipment

	31/03/23 £'000	31/03/22 £'000
Infrastructure Assets	7,392	7,984
Other Property, Plant and Equipment Assets	59,812	54,294
Net Book Value at 31 March	**67,204**	**62,278**

G6.2 Other Property, Plant and Equipment Assets

2022/23	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Cost or Valuation					
At 1 April 2022	48,618	4,983	1,975	921	56,497
Additions	144	50	0	1,086	1,280
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,767	0	0	0	4,767
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	278	0	0	0	278
Derecognition – disposals & other	(70)	0	0	0	(70)
Transfers	0	0	0	0	0
At 31 March 2023	**53,737**	**5,033**	**1,975**	**2,007**	**62,752**
Accumulated Depreciation and Impairment					
At 1 April 2022	(93)	(2,110)	0	0	(2,203)
Depreciation Charge	(971)	(530)	0	0	(1,501)
Depreciation written out to the Revaluation Reserve	749	0	0	0	749
Derecognition - disposals	15	0	0	0	15
Transfers	0	0	0	0	0
At 31 March 2023	**(300)**	**(2,640)**	**0**	**0**	**(2,940)**
Net Book Value at 31 March 2023	**53,437**	**2,393**	**1,975**	**2,007**	**59,812**
Net Book Value at 31 March 2022	**48,525**	**2,873**	**1,975**	**921**	**54,294**

Nature of asset holding	**54,437**	**2,393**	**1,975**	**2,007**	**59,812**
Owned (Freehold)					

2021/22	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Cost or Valuation					
At 1 April 2021	46,953	4,762	1,975	1,898	55,588
Additions	95	221	0	861	1,177
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,517	0	0	0	1,517
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(246)	0	0	0	(246)
Derecognition - disposals	0	0	0	(82)	(82)
Transfers	299	0	0	(1,756)	(1,457)
At 31 March 2022	**48,618**	**4,983**	**1,975**	**921**	**56,497**
Accumulated Depreciation and Impairment					
At 1 April 2021	(499)	(1,575)	0	0	(2,074)
Depreciation Charge	(950)	(535)	0	0	(1,485)
Depreciation written out to the Revaluation Reserve	1,356	0	0	0	1,356
Derecognition - disposals	0	0	0	0	0
Transfers	0	0	0	0	0
At 31 March 2022	**(93)**	**(2,110)**	**0**	**0**	**(2,203)**
Net Book Value at 31 March 2022	**48,525**	**2,873**	**1,975**	**921**	**54,294**
Net Book Value at 31 March 2021	**46,454**	**3,187**	**1,975**	**1,898**	**53,514**

Nature of asset holding					
Owned (Freehold)	**48,525**	**2,873**	**1,975**	**921**	**54,294**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note (G6.2) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

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

G6.3 Revaluations – Other Property Plant & Equipment

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 (2023, 2022, 2021, 2020 and 2019) and Walton Goodland (2018), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards and Guidance (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 2023	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Carried at historical cost	0	5,033	1,975	2007	9,015
Valued at current value at:					
31 March 2023	45,906	-	-	-	45,906
31 March 2022	6,411	-	-	-	6,411
31 March 2021	92	-	-	-	92
31 March 2020	801	-	-	-	801
31 March 2019	527	-	-	-	527
Total Cost or Valuation	**53,737**	**5,033**	**1,975**	**2,007**	**62,752**

At 31 March 2022	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Assets under Constr'n £'000	Total £'000
Carried at historical cost	0	4,983	1,975	921	7,879
Valued at current value at:					
31 March 2022	47,128	-	-	-	47,128
31 March 2021	92	-	-	-	92
31 March 2020	801	-	-	-	801
31 March 2019	597	-	-	-	597
31 March 2018	0	-	-	-	0
Total Cost or Valuation	**48,618**	**4,983**	**1,975**	**921**	**56,497**

G7. Heritage Assets

G7.1 Reconciliation of the carrying value of Heritage Assets held by the group:

2022/23	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 2022	993	1,863	80	2,936	45	2,981
Additions – purchased	114	0	0	114	0	114
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 2023	**1,107**	**1,863**	**80**	**3,050**	**45**	**3,095**
Accumulated depreciation & impairment						
At 1 April 2022	(85)	0	0	(85)	(31)	(116)
Depreciation charge	(7)	0	0	(7)	(3)	(10)
At 31 March 2023	**(92)**	**0**	**0**	**(92)**	**(34)**	**(126)**
Net book value at 31 March 2023	**1,015**	**1,863**	**80**	**2,958**	**11**	**2,969**
Nature of asset holding						
Owned (Freehold)	**1,015**	**1,863**	**80**	**2,958**	**11**	**2,969**

2021/22	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 2021	813	1,863	80	2,756	31	2,787
Additions – purchased	180	0	0	180	14	194
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 2022	**993**	**1,863**	**80**	**2,936**	**45**	**2,981**
Accumulated depreciation & impairment						
At 1 April 2021	(78)	0	0	(78)	(31)	(109)
Depreciation charge	(7)	0	0	(7)	0	(7)
At 31 March 2022	**(85)**	**0**	**0**	**(85)**	**(31)**	**(116)**
Net book value at 31 March 2022	**908**	**1,863**	**80**	**2,851**	**14**	**2,865**
Nature of asset holding						
Owned (Freehold)	**908**	**1,863**	**80**	**2,851**	**14**	**2,865**

G7.2 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	31/03/23 £000	31/03/22 £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**

G.8 Commitments under Capital Contracts

At 31 March 2023, outstanding commitments under capital contracts for the construction or enhancement of Property, Plant and Equipment in 2023-24 and future years amounted to £530,448 (31 March 2022: £269,737). At 31 March 2023, contractual obligations to purchase, construct or develop investment property or for the repair, maintenance or enhancement of investment property were £0 (31 March 2022: £6,294).

G.9. Inventories

	2022/23			2021/22		
	Finished Goods & Consuma-bles £'000	Work in Progress £'000	Total £'000	Finished Goods & Consuma-bles £'000	Work in Progress £'000	Total £'000
At 1 April	133	649	782	163	0	163
Purchases	867	1,715	2,582	649	401	1,050
Transfer from Assets under Construction (PPE)	0	0	0	0	437	437
Transfer from Infrastructure (PPE)	0	0	0	0	90	90
Recognised as an expense in the year	(841)	0	(841)	(679)	(279)	(958)
At 31 March	**159**	**2,364**	**2,523**	**133**	**649**	**782**

G10. Short-term Debtors

	31/03/23 £'000	31/03/22 £'000
Trade receivables	2,172	2,470
Council tax receivable	734	703
NNDR receivable	333	244
Housing benefit overpayments	848	950
Other taxation and social security	190	290
Other receivables	4,530	6,873
Deferred tax asset	2	0
	8,809	**11,530**
Allowance for credit losses:		
- Trade receivables	(109)	(120)
- Council Tax	(354)	(312)
- NNDR	(137)	(106)
- Housing Benefit overpayments	(602)	(676)
	(1,202)	**(1,214)**
	7,607	**10,316**

G11. Cash and Cash Equivalents

	31/03/23 £'000	31/03/22 £'000
Cash in hand	13	19
Bank current accounts	628	429
Call accounts (same day access funds)	2,910	7,837
Money Market Funds	19,352	16,260
Other bank deposits	204	213
Cash and Cash Equivalents (balance sheet)	**23,107**	**24,758**
Bank Overdraft	0	(1,129)
Cash and Cash Equivalents (cash flow statement)	**23,107**	**23,629**

G12. External Borrowing

	31/03/23 £'000	31/03/22 £'000
Short-term Borrowing		
Public Works Loan Board (inc. accrued interest)	(906)	(901)
Local Bonds	(31)	(31)
Trust Funds	(42)	(42)
	(979)	**(974)**
Long-term Borrowing		
Public Works Loan Board	(14,460)	(15,170)
	(15,439)	**(16,144)**

Analysis of loans by maturity:

Amounts repayable	31/03/23 £'000	31/03/22 £'000
Within 1 year	(979)	(974)
Between 1 & 2 years	(720)	(710)
Between 2 & 5 years	(1,874)	(2,195)
Between 5 & 10 years	(1,786)	(1,904)
After more than 10 years	(10,080)	(10,361)
	(15,439)	**(16,144)**

G13. Short-term Creditors

	31/03/23 £'000	31/03/22 £'000
Trade payables	(1,901)	(1,237)
Other payables	(6,575)	(17,450)
Other taxation and social security	(354)	(313)
Unpaid holiday pay	(152)	(250)
	(8,982)	**(19,250)**

G14. Pensions

G14.1 Defined contribution plans

The amount recognised in the Group Comprehensive Income and Expenditure Statement in relation to defined contribution plans in 2022-23 is £128,847 (2021-22: £108,084).

G14.2 Defined benefit plans

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.

Allerdale Waste Services Limited also participates in the Cumbria Local Government Pension Scheme (the Scheme). The Company's participation in the scheme is limited to existing LGPS members who transferred their employment from FCC Environment Limited and Allerdale Borough Council on 4 April 2020. The scheme is closed to new members.

G14.3 Transactions Relating to Retirement Benefits

The following transactions have been included in the Group Comprehensive Income and Expenditure Statement during the year:

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	2,793	2,627	0	0
▪ past service costs (gains)	0	0	0	0
▪ (gain)/loss from curtailments	0	396	0	0
Financing and Investment Income & Expenditure				
▪ net interest expense	830	746	44	34
Total Post-employment benefits charged to the surplus or deficit on the provision of services	3,623	3,769	44	34
Other post-employment benefits charged to the Comprehensive Income & 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	5,013	(6,983)	0	0
▪ experience (gains)/loss on liabilities	13,101	331	51	5
▪ actuarial (gains) and losses arising on changes in financial assumptions	(50,935)	(33)	(395)	0
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(3,004)	(979)	(35)	(12)
▪ effect of the asset ceiling	3,734	0	0	0
	(32,091)	(7,664)	(379)	(7)
Total post-employment benefits charged to the Comprehensive Income & Expenditure Statement	(28,468)	(3,895)	(335)	27

G14.4 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:

	31/03/23 £'000	31/03/22 £'000
Present value of the defined benefit obligation - Funded Liabilities	(91,029)	(129,684)
Present value of the defined benefit obligation - Unfunded Liabilities	(1,155)	(1,625)
Fair value of plan assets	94,763	99,124
	2,579	**(32,185)**
Net Liability arising on transfer from FCC Environment (obligation of FCC Environment)[1]	0	177
	2,579	**(32,008)**
Asset Ceiling adjustment (Remeasurement)	**(3,734)**	**0**
Net liability arising from the defined benefit obligation	**(1,155)**	**(32,008)**

[1] The transfer of employees eligible for continued membership of the local government pension scheme from FCC Environment Limited to Allerdale Waste Services Limited was transacted on a fully funded basis.

G14.5 Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Opening balance at 1 April	(129,684)	(128,216)	(1,625)	(1,736)
Current Service Cost	(2,739)	(2,576)	0	0
Interest Cost	(3,596)	(2,666)	(44)	(34)
Contributions by scheme participants	(452)	(423)	0	0
Remeasurement gains and losses:				
▪ experience gains/(losses)	(12,247)	(331)	(51)	(5)
▪ actuarial gains and (losses) arising on changes in financial assumptions	50,935	33	395	0
▪ actuarial gains and (losses) arising on changes in demographic assumptions	3,004	979	35	12
Past Service Costs	0	0	0	0
(Gains)/losses on Curtailments	0	(396)	0	0
Benefits Paid	3,750	3,912	135	138
Closing balance at 31 March	**(91,029)**	**(129,684)**	**(1,155)**	**(1,625)**

G14.6 Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Funded Liabilities		Unfunded Liabilities	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Opening fair value of scheme assets	99,124	91,778	0	0
Interest income	2,766	1,920	0	0
Remeasurement gain/(loss):				
▪ return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	(5,690)	6,983	0	0
Employer contributions	1,915	1,983	135	138
Contributions by scheme participants	452	423	0	0
Benefits/transfers paid	(3,750)	(3,912)	(135)	(138)
Administration expenses	(54)	(51)	0	0
Closing balance of scheme assets at 31 March	**94,763**	**99,124**	**0**	**0**

G14.7 Composition of Local Government pension scheme assets

Asset Class	Fair value of scheme assets	
	31/03/23 £'000	31/03/22 £'000
Cash & cash equivalents		
Quoted cash accounts	2,464	2,676
Net current assets	93	99
Sub-total: Cash & cash equivalents	2,557	2,775
Equities		
Quoted UK equity pooled	4,549	5,055
Quoted global equity pooled	25,586	25,177
Quoted overseas equity pooled	4,549	4,560
Sub-total: Equities	34,684	34,792
Bonds		
Unquoted UK government indexed pooled	13,267	16,753
Sub-total: Bonds	13,267	16,753
Property		
UK property	4,643	6,244
Unquoted property funds	2,654	2,775
Sub-total: Property	7,297	9,019
Alternatives (Unquoted)		
Private equity funds	7,676	6,047
Infrastructure funds	12,603	10,111
Private debt fund	6,539	4,758
Healthcare royalties	1,516	1,289
Multi-asset credit	8,624	13,580
Sub-total: Alternatives	36,958	35,785
Total	**94,763**	**99,124**

G14.8 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 31.3.23	(92,184)	94,763	2,579	1,200	(158)
+0.5% p.a. discount rate	(85,218)	94,763	9,545	1,030	(544)
+0.25% p.a. inflation	(95,939)	94,763	(1,176)	1,298	25
+0.25% p.a. pay growth	(92,708)	94,763	2,055	1,200	(129)
1 year increase in life expectancy	(94,103)	94,763	660	1,230	(62)
+1% change in 2022-23 investment returns	(92,184)	95,704	3,520	1,200	(203)
'-1% change in 2022-23 investment returns	(92,184)	93,822	1,638	1,200	(112)

	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 31.3.22	(131,309)	99,124	(32,185)	2,479	875
+0.1% p.a. discount rate	(129,141)	99,124	(30,017)	2,413	843
'+0.1% p.a. inflation	(133,514)	99,124	(34,390)	2,546	939
+0.1% p.a. pay growth	(131,541)	99,124	(32,417)	2,479	883
1 year increase in life expectancy	(135,257)	99,124	(36,133)	2,558	988
+1% change in 2021-22 investment returns	(131,309)	100,108	(31,201)	2,479	848
'-1% change in 2021-22 investment returns	(131,309)	98,140	(33,169)	2,479	902

G14.9 Impact on Group Cash Flows

Projected contributions to the scheme in 2023-24

Projected employer contributions which the Group expects to pay in 2023-24 is £1,419k (2022-23: £1,882k). This comprises normal contributions of £1,284k (2022-23: £1,196k), deficit funding contributions of £0k (2022-23: £548k) and a recharge of unfunded benefits of £135k (2022-23: £138k).

The weighted average duration of the Group's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is estimated at between 17 and 18 years (2021-22: 17-19 years).

G15. Financial Instruments

G15.1 Financial Instruments by category

The carrying amounts of financial assets presented in the Group 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 2023					
Long-term investments	23	0	651	0	651
Short-term debtors	G10	3,902	0	3,703	7,605
Cash & cash equivalents	G11	3,755	19,352	0	23,107
Total for category		**7,657**	**20,003**	**3,703**	**31,363**

	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 2022					
Long-term investments	23	0	547	0	547
Short-term debtors	G10	3,211	0	7,105	10,316
Cash & cash equivalents	G11	8,498	16,260	0	24,758
Total for category		**11,709**	**16,807**	**7,105**	**35,621**

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2023				
Long-term borrowing	G12	(14,460)	0	(14,460)
Bank overdraft	G11	0	0	0
Short-term borrowing	G12	(991)	0	(991)
Short-term creditors	G13	(2,347)	(6,635)	(8,982)
Total for category		**(17,798)**	**(6,635)**	**(24,433)**

	Note	Measured at amortised cost £'000	Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2022				
Long-term borrowing	G12	(15,170)	0	(15,170)
Bank overdraft	G11	(1,129)	0	(1,129)
Short-term borrowing	G12	(974)	0	(974)
Short-term creditors	G13	(2,117)	(17,133)	(19,250)
Total for category		**(19,390)**	**(17,133)**	**(36,523)**

G16. Cash Flow Statement – Operating Activities

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

	2022/23 £'000	2021/22 £'000
Net Surplus or (Deficit) on the Provision of Services	79	(1,016)
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation	2,167	2,143
Amortisation	18	7
Impairment and downward valuations	(301)	246
Increase/(Decrease) in Interest Creditors	(4)	(4)
Increase/(Decrease) in Creditors	(6,327)	(4,291)
(Increase)/Decrease in Interest and Dividend Debtors	0	232
(Increase)/Decrease in Debtors	571	(18)
(Increase)/Decrease in Inventories	(1,741)	(93)
Movement in Pension Liability	1,617	1,682
Contributions to/(from) Provisions	(116)	(294)
Movement in Deferred Tax Asset/Liability	(11)	(9)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	83	110
Movement in investment property values	698	(380)
Gain)/loss on derecognition of long-term investments	0	(323)
Other non-cash movements	194	281
	(3,152)	**(711)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital grants credited to surplus or deficit on the provision of services	(2,706)	(1,436)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113)	(130)
	(2,819)	**(1,566)**
Net Cash Flows from Operating Activities	**(5,892)**	**(3,293)**

G17. Cash Flows from Investing Activities

	2022/23 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,969)	(2,168)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	97	130
Capital grants repaid		0
Capital grants received	11,231	5,645
Proceeds from redemption of long-term investments	0	620
Other receipts from Investing Activities	0	430
Total Cash Flows from Investing Activities	**9,359**	**4,657**

G18. 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. The company commenced trading on 4 April 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 42 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 objectives of the trust.

Further information including summarised financial information relating to Keswick Museum and Art Gallery and the Helena Thompson Museum is set out in note 42 to the Authority Only Accounts.

G19. Interests in joint arrangements and associates

The Authority has a 50% interest in Allerdale Investment Partnership LLP a joint venture partnership with Cumbria Partnerships 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:

	31/03/23 £'000	31/03/22 £'000
Non-current assets	10	10
Current assets[1]	1,841	1,477
Current liabilities[2]	(409)	(321)
Non-current liabilities[3]	(1,947)	(1,739)
Net Assets	(505)	(573)
Included in the above amounts are:		
[1] Current assets - Cash and cash equivalents	1,744	704
[2] Current financial liabilities (excluding trade & other payables and provisions)	(109)	(265)
[3] Non-current financial liabilities (excluding trade payables and other payables and provisions) - long term borrowing	(1,947)	(1,739)

	2022/23 £'000	2021/22 £'000
Revenue	1,235	2,688
Profit or (loss) from continuing operations[1]	67	141
Post tax profit or (loss) from discontinued operations	0	0
Other comprehensive income for the year	0	0
Total comprehensive income for the year	67	141
[1]Included in the above amounts are:		
Depreciation and amortisation	0	1
Interest income	0	0
Interest expense	(211)	(235)
Gain arising on re-estimation of expected life of members loans	0	(553)
Corporation tax (expense)/income	(58)	(265)
Authority's (& Group's) share of profit/(loss) for the year	33	71
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

	31/03/23 £'000	31/03/22 £'000
Net assets (liabilities) of the joint venture	(505)	(573)
Proportion of the Authority's ownership interest in the joint venture	50%	50%
Goodwill	0	0
Authority's share of net assets/(liabilities)	(253)	(286)
Elimination of unrealised profits on downstream transactions	0	0
	(253)	(286)
Deferred credit balance relating to unrealised profits on downstream transactions	0	0
Unrecognised share of losses of a joint venture or associate	253	286
Carrying amount of the Authority's interest in the joint venture	0	0

G19.1 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 (including 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.

	2022/23 £'000	2021/22 £'000
Unrecognised share of losses (gains) of joint venture - Allerdale Investment Partnership LLP - for the year	(33)	(71)

	31/03/23 £'000	31/03/22 £'000
Cumulative unrecognised share of losses of joint venture - Allerdale Investment Partnership LLP	253	286

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

At 31 March 2023 there were no contingent liabilities or capital commitments related to the group's investment in the joint venture. (31 March 2022: 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 within the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement, 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 in 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 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.

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.

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 Non-Domestic Rates 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 Non-Domestic Rates. 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 Non-Domestic Rates collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

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 Non-Domestic Rates 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 Non-Domestic Rates 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, 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. Except in circumstances in which the net defined benefit liability (asset) is remeasured following a plan amendment, curtailment or settlement, 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 contributions and benefit payments. Where the net defined benefit liability (asset) is remeasured during a reporting period, following a plan amendment, curtailment or settlement, net interest for the remainder of the annual reporting period is determined on the basis of the remeasured net defined benefit liability (asset) and the discount rate used to remeasure that net defined benefit liability (asset). 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)
  - the effect of the asset ceiling, 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.

A 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 are 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 Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (the balance sheet date) 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 *Revenue from Contracts with Customers*).

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 (SPPI) on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest 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 gains or losses 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 expected credit losses are the portion of the lifetime expected credit losses 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 expected credit losses 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 expected credit losses 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 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 expected credit losses 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 - Financial Instruments: Recognition and Measurement. 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 the 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 effective interest rate) is recognised in the Comprehensive Income and Expenditure Statement as a gain or 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: Recognition and Measurement, 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.

Where the Authority is acting as an agent of a grant paying body (as opposed to acting as a principal), related transactions are not reflected in the Authority’s financial statements, with the exception of cash collected or expenditure incurred by the Authority (agent) on behalf of the grant paying body (principal), in which case a debtor or creditor position is recognised in the Balance Sheet reflecting the difference between grant disbursements made and reimbursements received by the Authority. The net cash position is included in financing activities in the Cash Flow Statement.

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 proper charges to the General Fund. 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. Inventories held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge are included in the Balance Sheet at the lower of cost and current replacement cost.

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 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 from the General Fund Balance to the Capital Adjustment Account 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 relevant service line (Property, Plant & Equipment) or Financing and Investment Income line (Investment Property) 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 - current value measured using 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 subsequently reversed, 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 amount 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 IFRS 9 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.

26. Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the Group Comprehensive Income and Expenditure Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Income tax is recognised on taxable profit for the current and past periods and is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all temporary timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Annual Governance Statement

1. Introduction - Scope of Responsibility

1.1 Following implementation of local government reorganisation in Cumbria, Allerdale Borough Council ceased to exist on 1 April 2023 (along with all other existing local authorities in Cumbria). On that date responsibility for all existing functions of the Authority transferred to Cumberland Council.

1.2 Prior to its dissolution, Allerdale Borough Council (the Council) was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3 The Council had 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 was subject to regular review and updating.

1.4 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.

1.5 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.

1.6 This statement explains how the Council has complied with the code. It also addresses 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 comprised the systems and processes, culture and values by which the Council directed and controlled its activities and through which it accounted to, engaged with and led its communities. It enabled the Council to monitor the achievement of its priorities and to consider whether those priorities had led to the delivery of appropriate services and value for money.

2.2 The system of internal control was a significant part of that framework and was 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 was 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 2023 and up to the date of the Council' s dissolution on 1 April 2023.

3. Key Elements of Allerdale Borough Council's Governance Framework

3.1 There were a number of key elements to the systems and processes that comprised the Council's governance arrangements, including:

Council, Leader & Executive Committee

- Provided leadership, developed and set policy
- Developed and set policy to achieve the priorities identified in the Council Plan
- Supported Allerdale's towns and communities to thrive and succeed

Senior Management Team (SMT) & Statutory Officers

- The Head of Paid Service was the Chief Executive and was responsible for all council staff and leading an effective senior management team
- The Council's Section 151 Officer was responsible for ensuring proper administration of the Council's financial affairs (this role was fulfilled by the Chief Officer- Assets 1 Apr-31 Dec, and the Chief Officer Finance 1 Jan-31 Mar)
- The Monitoring Officer was the Chief Officer (Place and Governance) and was 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 recorded on the Council's website

Risk Management

- Risk registers identified both operational and strategic risks
- Key risks considered by the senior management team and Audit Committee every quarter

Scrutiny & Audit

- Overview & Scrutiny Committee reviewed Council policy and challenged decisions
- Audit Committee reviewed governance, internal control, risk management 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 previously 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 structured 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 worked with the Constitution Review Group to conduct reviews of the Council's Constitution, including the decision-making framework and delegation arrangements, and made recommendations for changes where appropriate.

4.4 The Council had a Code of Conduct for elected and co-opted Members, a Code of Conduct for employees and a Local Code of Corporate Governance that provided guidance for officers and members on expected standards of behaviours to ensure integrity.

4.5 Members received 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 focused upon the Nolan Principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. It set an objective, non-political and high standard whose purpose was to remind members of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct was measured.

4.6 The Monitoring Officer worked closely with the Standards Committee and Independent Person on any complaints regarding the potential breach of the Code of Conduct by members. Complaints were handled in accordance with the Authority's arrangements for dealing with standards allegations under the Localism Act 2011 and the outcome of such investigations were published on the Council's website.

4.7 The Monitoring Officer previously arranged for independent national experts to review the Council's procedures for handling complaints that Members may have breached the Code of Conduct, and to benchmark the Council's arrangements against good practice elsewhere to ensure the Council had the best possible arrangements achievable under the legislation.

4.8 The Council had in place a framework of values and behaviours. The framework described the strengths and behaviours that were important for every role, identified areas of development for the workforce and defined the expected standards of behaviour for staff.

4.9 The Council continued to participate in the National Fraud Initiative data matching exercise, delivering on time against the timetable required. Fraud and Corruption arrangements were 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. Internal Audit continued to provide assurances to fraud risk management within the Council, including internal controls in place for Main Financial Systems. Internal Audit also undertook a specific review of management of fraud risk in relation to Procurement. Fraud awareness was a mandatory e-learning module for all Allerdale employees.

4.10 The Council's complaints system and procedures included a 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 was to identify opportunities for improvements and to endeavour to resolve complaints satisfactorily at local level. The Council's whistle blowing arrangements were publicly available to ensure a clear channel of confidential reporting for the public.

4.11 The shift to almost the entire workforce working from home at the start of the pandemic was successfully achieved in a very short space of time with minimal disruption to services. This achievement was rooted in the Council's success in previous work that had been undertaken over a number of years to enable digital delivery of services and a mobile workforce. The Council continued to operate throughout 2022-23 with the majority of staff working primarily from home. The Council's main building has now been adapted to provide agile workspaces and hybrid meeting rooms enabling staff to continue to work effectively through a blend of home and office working.

4.12 Some changes to working practices brought about by the pandemic were retained by the Council throughout 2022-23 where these were more effective. For example, an appointments system was introduced where face to face meetings were required which was popular with customers and remained in place. Vulnerable customers seeking support from our Housing Options team were still able to use a walk-in service at Allerdale House.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

4.13 All committee meetings were open to the public and all agenda papers, reports and decisions made by the Council were 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 successfully ran virtual meetings during 2020-21 in line with Covid-19 restrictions. During 2021-22, legislation required the Council to return to in-person committee meetings. However, the Council continued to make recordings of full council meetings available on YouTube to promote its open and transparent agenda.

4.15 The Council engaged 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 were 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 were adopted for these arrangements in line with the Authority's good governance structures. In 2022-23, as in the previous year, the Council continued with efforts to engage closely with local businesses to ensure they were getting the support they need to recover following the impacts of the Covid-19 pandemic.

4.16 The Council regularly consulted 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 was held, the Council routinely included 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. A range of media was used to inform residents and employees about the progress made in delivering the Council's plans including press releases, Facebook and Twitter and other social media platforms as well as the local press and email newsletters. In 2022-23, the Council engaged with partners and the community on a number of issues including Workington Town Deal proposals. Consultation and engagement also took place in 2022-23 on activity related to the creation of the new unitary Cumberland Council. This include consultations on the Council Plan and 2023-24 budget proposals.

4.17 The Council continued to develop its digital communication tools to complement its use of more traditional media. The Council introduced a new series of email newsletters which provided information direct to the inboxes of local residents. These proved to be extremely popular with almost 12,000 subscribers and a high engagement rate. We reached the millionth email to be opened in 2022. Regular email contact has improved the delivery of information about issues that are important to people and targeted to different audiences, such as our business newsletter. The Council also enjoyed good levels of engagement on its social media channels, started a new Facebook group for business, paid for posts to target key sectors of our communities, and delivered messages via the Nextdoor platform to target messaging down to a very local level.

4.18 During 2022-23, staff continued to work largely from home. To ensure good communication and engagement, the Council continued to produce regular newsletters for staff from the Leader and Chief Executive. Teams were encouraged to have more regular team meetings to ensure regular contact was maintained with all staff members. It remained standard practice for teams to have close virtual contact with each other and their managers. Teams were also encouraged to meet in person where appropriate and spend a day a week in the office together to ensure effective collaborative time.

4.19 The Council published information relating to all of its expenditure on its website each month and published an annual Pay Policy Statement detailing the remuneration of senior officers.

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

4.20 Since 2021, the Council has been preparing for local government reorganisation (LGR) in Cumbria. On 21 July 2021, the Secretary of State announced his decision, subject to Parliamentary approval, to implement the proposal for two unitary councils on an East-West geography for the whole of the administrative county of Cumbria.

4.21 Under the Cumbria (Structural Changes) Order 2022, Allerdale Borough Council was abolished on 1 April 2023 (along with all other existing local authorities in Cumbria). On that date responsibility for all existing functions of the Authority transferred to Cumberland Council.

4.22 The creation of two unitary authorities from 1 April 2023 presents opportunities to rethink and reshape services and deliver wider economic, social and environmental benefits to the residents and businesses of Allerdale and Cumbria.

4.23 Work to develop the vision and priorities for Cumberland Council took place during 2022-23 with the adoption of a new Council Plan for Cumberland Council in October 2022.

4.24 For Allerdale Borough Council, the Council Strategy set out the Council's strategic ambitions for the borough. The 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 and wider external consultation on priorities with stakeholders. The Council Strategy set out priority themes and a clear set of objectives for each theme over 10 years. It described the outcomes the Council aimed to achieve for its communities and gave an overview of the kinds of activity it will undertake to achieve those outcomes.

4.25 More specific strategies and plans focused on sustainable economic, social and environmental benefits such as the Local Plan and Climate Change Action Plan. The importance of environmental sustainability is recognised in the Council Strategy and to underpin the Council's commitments in this area, the Council adopted a Climate Change Action Plan in March 2020 and set up a cross party working group to take that forward. Specific target actions were agreed by the Executive for 2022-23 to give focus and reflect the capacity available for delivery whilst also preparing for Local Government Reorganisation.

4.26 The Council's decision-making process took account of the economic, social and environmental impacts of policies and plans. Reports to committees required a consideration of these factors along with risk and financial implications. The committee report template was updated during 2020 to improve the way these impacts are presented to members.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

4.27 All decisions were subject to scrutiny by members, review of options and risk by officers and members and key performance indicators were in place for services.

4.28 The Council Strategy described the outcomes the Council aimed to achieve for its communities and gives an overview of the kinds of activity it will undertake to achieve those outcomes. The Council Strategy Delivery Plan set out in more detail, specific activity to deliver against the priorities and objectives in the Council Strategy through a combination of key projects, programmes and activities and a series of key performance indicators under each Council Strategy priority theme.

4.29 In developing the Delivery Plan for 2022-23, consideration was given to key projects and programmes to support communities and businesses, the capacity requirements of the local government reorganisation programme, and ongoing budget pressures. Business planning for 2022-23 included making an assessment of what could realistically be achieved by April 2023, as well as what projects were likely to be taken forward into the new Cumberland Council. A set of business planning principles were adopted to provide guidance to managers as they considered activity for 2022-23 to ensure that any projects and activities were prioritised having regard to available capacity to deliver, clarity of purpose, strategic alignment, and delivery of value for money.

4.30 The Council Strategy Delivery Plan was the vehicle by which the Council reported progress against Council Strategy commitments during 2022-23. Progress against Council Strategy priorities and performance was reported to the Executive and Overview and Scrutiny Committee quarterly for discussion.

4.31 The senior management team routinely monitored key performance indicators on a monthly basis to ensure the Council's priorities and performance targets were being met and potential intervention identified where expected performance was not being achieved.

4.32 Budget proposals were developed by services, challenged and subject to scrutiny through a budget review process involving representatives from the Finance and Policy teams, the Chief Executive, Section 151 Officer, Chief Officers and portfolio holders. For the business planning and budget setting process in 2021-22 (for the 2022-23 budget), a set of business planning principles and refreshed guidance were adopted to ensure that managers carefully considered the capacity requirements of the local government reorganisation programme, and ongoing budget pressures in their service planning.

4.33 All seven local authorities in Cumbria have worked collaboratively to develop the programme for the implementation of LGR in Cumbria. This was mobilised in October 2021. The LGR Programme operated as a single programme to create two new unitary authorities and was organised into a series of themes supported by work packages looking at more detailed functional areas. The Theme Boards were: People, Place, Corporate/Enabling, Customer & Digital, ICT, and Finance. Detailed work took place throughout 2022-23 to prepare for the new councils, ensuring that the new councils will operate in a safe and legal way at Vesting Day.

4.34 Elected members were engaged in the LGR process through an LGR Cross Party Working Group, full member briefings, discussion and debate at the Overview and Scrutiny Committee and at Full Council. Interim Joint Committees of members were set up in March 2022 and elections to the Shadow Authorities took place in May 2022.

4.35 Stakeholder engagement formed part of the LGR programme to ensure that stakeholders such as local businesses, the community and voluntary sectors and other partner agencies were engaged and involved appropriately during the process.

4.36 The LGR Programme presented a complex and challenging programme and to optimise the Council’s input into that, it was important to ensure robust internal communications and information flows. To assist with this, the Council set up a series of internal meetings to mirror the LGR Programme structure. SMT dedicated a fortnightly meeting to be an internal LGR Programme Board and a series of theme meetings were created to aid information flows.

4.37 The Council regularly engaged with other authorities to learn and understand how good practice has been delivered elsewhere. Together, these practices also provided assurance that the Council was achieving best value.

4.38 The Council invited the LGA to undertake a Homelessness Peer Review in 2021. This work helped the Council to identify areas for improvement, a number of which were built into the development of the Council’s new Homelessness Prevention and Rough Sleeping Strategy (approved in April 2022).

4.39 The Medium Term Financial Plan (MTFP) was updated in November 2021 to accommodate the ongoing impacts of the Covid-19 pandemic on the Council’s finances and plans. A further update of the MTFP was included with the 2022-23 budget proposals presented to Council in February 2022.

PRINCIPLE E: Developing capacity and capability, including the capability of its leadership and the individuals within it

4.40 The capacity requirements of the LGR Programme were kept under constant review throughout 2022-23. The new Cumberland Council operated as a Shadow Authority over this period developing its financial strategy, Council Plan and key policy positions. It also made senior officer appointments as permitted by the legislation, initially as interim appointments followed by formal, substantive appointments to the roles of Chief Executive, Section 151 Officer and Monitoring Officer from 1 January 2023. Allerdale Borough Council’s Chief Executive and other members of the senior management team secured roles in the new council during 2022-23. This resulted in the appointment of a new Head of Paid Service and Chief Executive for Allerdale Borough Council (initially on an interim basis until 1 January 2023) and the implementation of some revised roles and reporting lines for chief and deputy chief officers, ensuring that capacity could be released for LGR as needed whilst robust departmental structures remained in place at Allerdale Borough Council.

4.41 A key element of the Council’s service planning was to maximise the investment in staff through staff training and development including using the Apprenticeship Levy. Council officers completed an e-Learning package including key legislation and policies. This was also available to Members.

4.42 All employees had objectives identified as part of their appraisal and had regular reviews with their managers to discuss progress. The organisation's appraisal process was updated in 2021-22 with a new "My Contribution" appraisal process rolled out for 2022-23. The new process more clearly linked employees' objectives to the Council Strategy and involved an in-depth beginning of year review and end of year evaluation, with monthly reviews through the year.

4.43 Members are required to complete a comprehensive induction following their election and received an induction pack including all relevant policies and procedures. All members were given the opportunity and encouraged to develop individual personal development plans to identify development needs.

4.44 The Council worked across a range of partnerships and collaborative arrangements and used commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

4.45 The Council had a Programme Management Office (PMO) to ensure a clear focus on the Council's priority programmes and projects. The PMO included dedicated internal personnel to co-ordinate resources, internally and externally, for successful delivery of the projects and programme outcomes. There was visible sponsorship for Programmes by the Sponsoring Group (Senior Management Team) and direction and oversight from elected members through the Executive. The Council also had in place an established Programme and Project Framework, which included a control framework setting out who does what, when and how risks and issues are escalated. A dashboard recorded progress of all projects which was scrutinised at monthly meetings of the programme boards.

4.46 To improve outcomes from procurement and contract management, the Procurement team held a series of training workshops for managers and members. In 2022-23, these included workshops on 'Challenges in procurement' including challenges due shortages, price increases, and post Covid, and workshops relating to actions required as part of LGR in identifying all contracts and grants. A Joint workshop with Procurement and Internal Audit on Procurement Fraud identified potential 'red flags' in the procurement process, which may indicate fraud and or corruption. Templates and guidance for projects and procurement were updated and added to in 2022-23, including a Procurement Code, which set out all the steps in the procurement and contract management lifecycle. The Procurement team at Allerdale also led on a number of joint procurements with other Cumbria authorities before transfer to Cumberland. These included hybrid mail, elections system and GIS systems.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

4.47 The risk management framework set out the Council's approach to identifying and controlling risk. The Council maintained a risks and issues log for corporate risks. Service risks were discussed with teams, reviewed and escalated when necessary. Developments to enhance evidence retained to support adherence to the risk management framework were actioned in 2022-23. An exercise was also undertaken to refresh and update all operational risk registers during the year.

4.48 High risks were discussed at SMT on a regular basis, with outcomes from these discussions updated on the Corporate Risk Log.

4.49 The Council's Integrated Assurance Strategy brought together risk management, the three lines model and assurance mapping to aid setting and achieving objectives, promote good governance and provide assurance.

4.50 The Council had a Corporate Governance Group consisting of officers from across the Authority who met throughout the year to assess the processes in place to produce a governance statement and review progress on improvements in governance arrangements.

4.51 Service performance was monitored and reported to the Council's Executive committee quarterly. The quarterly performance reports also included a summary of high risks from the Corporate Risk Log.

4.52 The Council's Financial Regulations provided the governance framework for managing the Council's financial affairs. The Council's financial management arrangements complied in all respects with the principles and standards of good financial management set out in CIPFA's 'Financial Management Code'. This included compliance with the "Statement on the Role of the Chief Financial Officer in Local Government". The Assurance, Risk and Audit team provided regular reports on the effective operation of processes and associated internal controls together with an annual assessment of the overall control environment. A Strategic Advisor - Assurance, Risk & Audit was appointed in April 2022 and appointed two Senior Advisors to deliver an in-house Internal Audit Service for 2022-23. Both Senior Advisors are undertaking professional Internal Audit qualifications.

4.53 The Council employed officers with dedicated responsibility for information governance, information security and records management. During 2022-23, the Council continued to review policies, procedures and guidance in light of best practice and any legislative changes. Mandatory data protection awareness training was included in the Council's online training package to ensure staff awareness regarding how data should be securely handled, transmitted, stored and maintained.

4.54 Prior to its demise the Council had a strong track record in relation to compliance with statutory deadlines for the publication and audit of its annual statement of accounts.

4.55 A revised Strategic Commissioning and Procurement Strategy (SCPS) adopted in 2020 reflected changes in best practice and ensured the Council pursued sustainable outcomes, value for money and continuous improvement in its commissioning and procurement of goods, services.

4.56 The LGR Strategic Commissioning, Procurement and Contract Management work stream drafted several policy and procedural procurement documents and templates for the new authority including a draft procurement strategy. These put in place the strategy and playbook to deliver the vision in the Cumberland Council Plan and meet requirements set out in Transforming Public Procurement Green paper published in December 2020.Throughout 2022-23, the Procurement team continued to report to Allerdale Borough Council's Overview and Scrutiny Committee and the Programme Management Office (PMO) Programme Board on updates in the SCPS Action Plan as agreed.

4.57 The LGR Programme presented a range of risks for the Council. Risks relating to programme delivery and the delivery of safe and legal services for Day 1 through LGR were captured in risk and issue logs as part of the LGR programme. These were reviewed and managed through the Programme's governance arrangements including individual work packages and programme boards. The Council also recognised risks relating to internal capacity to manage both the LGR Programme and ongoing delivery of day-to-day services. As detailed at 4.29, business planning for 2022-23 included a realistic assessment of capacity to deliver by April 2023 to ensure that there was a focus on business as usual activity and priority projects. Risks relating to LGR such as staff retention and service resilience were reflected in the Council's Corporate Risk and Issues Log with mitigations monitored against those. The Corporate Risk and Issues Log was reviewed as part of a two-weekly internal LGR senior management team meeting.

PRINCIPLE G: Implementing good practices in transparency, reporting, and accountability

4.58 All reports, minutes and decisions were published on the Council's website. The Council followed best practice on providing clear and accurate information and developed both its website and the format of Council reports to improve transparency and accessibility.

4.59 The Council's Overview and Scrutiny Committee held decision-makers accountable and reported regularly to full Council with updates on its work and recommendations from any work completed.

4.60 The Council reported regularly to elected members and senior management team on its operational and financial performance. The Council published information for all expenditure every month on its website to encourage openness and transparency of public spending.

4.61 All audit recommendations were reported to the Audit Committee, to ensure that officers undertake any follow-up actions as appropriate.

4.62 In respect of the Town Deal, Future High Streets Fund and Heritage Action Zone projects within the Workington and Maryport regeneration programmes respectively, the governance arrangements and Accountable Body functions were fulfilled by incorporating and enhancing the existing processes of the Council's Programme Office. Development of business cases, approving projects, monitoring, evaluating and reporting progress were completed through an assurance framework to ensure effective and objective management of capital programmes.

4.63 The Programme Office established clear roles and responsibilities for project managers, supported and overseen by the Programme Managers and Programme Directors, and ultimately reporting through project boards to the Regeneration and Investment Programme Board. Each project/programme included a stakeholder engagement plan and, in accordance with DLUHC (formerly MHCLG) guidance, advisory groups in the form of the Town Deal Board and Maryport advisory group had oversight on project development, appraisal processes and progress reporting. As the Accountable Body for these funded programmes, suitably qualified and experienced senior officers – including the statutory officers – ensured an appropriate level of independent appraisal and an impartial and objective review prior to approval. This was supported by Cumbria County Council's independent programme review team, the Council's internal audit function and external consultant expertise. The Council's Internal Audit function undertook a comprehensive review in November 2022 of the management arrangements within the Regeneration Programme for ensuring effective governance, risk management and internal controls. Audit testing confirmed that the current controls provided substantial assurance.

4.64 The Council established Allerdale Waste Services Limited (AWSL) in 2019, a wholly owned company limited by shares, to deliver its waste and recycling services. The company has now been operating for three years. The governance arrangements were established with the advice of expert external lawyers. In its capacity as 100% shareholder of AWSL, the Council exercised control and oversight of ASWL and had a number of powers reserved to it over key business decisions. The Council established a

Shareholder Committee to represent the Council's interests as the sole shareholder and provide a vehicle through which the Council could engage with the board of AWSL. This was done in order to maintain an element of control of the business without affecting the operational management. In addition, the AWSL Partnering Board, comprising Members and lead officers from AWSL and the Council, monitored performance at a more operational level. Both the Shareholder Committee and Partnering Board continued to work effectively through 2022-23.

4.65 The Allerdale Investment Partnership LLP (AIP), a joint venture partnership with Cumbria Partnerships Limited, has a Members Agreement in place which sets out the governance framework. The Partners undertook a review of the Members Agreement to ensure that it continues to deliver the agreed outcomes and safeguards the interests of both partners. The Council also reviewed its internal governance arrangements including the role of the Council, the information rights and the powers and duties of the Council including the role of officers supporting the AIP.

5. Review of Effectiveness of the Governance Framework

5.1 The Council was 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 annual report from the Head of Internal Audit (the Strategic Advisor - Assurance, Risk & Audit) and by comments made by the external auditors and other review agencies.

5.2 The Council used a number of approaches to review and assess the effectiveness of its governance arrangements including a detailed review of the qualitative and quantitative evidence about the financial year 2022-23.

5.3 The Governance Group and other key officers have reviewed key performance indicators and have met with Chief Officers and third tier managers to discuss their areas of responsibility. Consultations also took place with the Monitoring Officer, the Strategic Advisor - Assurance, Risk & Audit and the s151 Officer. In addition, individual service areas were asked to review managers' assurance statements and the feedback analysed.

5.4 During 2022-23:

- no formal reports were issued by the s151 Officer or Monitoring Officer
- there was one breach of the member or Code of Conduct reported to the Council
- no breaches of the officer Code of Conduct occurred
- no objections were received from local electors in relation to the Statement of Accounts
- no Judicial Review claims were brought against the Council.

5.5 Overall we can confirm that throughout 2022-23, the Council had appropriate systems and processes in place to ensure good governance was maintained.

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 Head of Internal Audit. The opinion for 2022-23 concludes that reasonable assurances were in place over the overall effectiveness of the Council's risk management, control and governance processes. This opinion was prepared in accordance with the CIPFA Statement on the Role of the Head of Internal Audit (2010). All audit opinions reported are considered and challenged by Chief Officers and the

Audit Committee, none were considered indicative or significant and were dealt with promptly in year, via the review process or follow up of agreed actions.

5.7 The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the annual 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 provided 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 confirm codes of conduct, financial regulations, and other corporate governance processes were operating as intended throughout 2022-23.

6. Conclusion

6.1 Overall we can confirm that throughout 2022-23, the Council had in place appropriate systems and processes to ensure good governance was maintained.

Andrew Seekings
Chief Executive
Cumberland Council (as successor to Allerdale Borough Council)

Dated: 17 September 2024

Cllr Mark Fryer
Leader
Cumberland Council (as successor to Allerdale Borough Council)

Dated: 17 September 2024

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.

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 tax	The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a 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 UK VPGA 6 and UK VPGA 4 of the Royal Institution of Chartered Surveyors (RICS) *Valuation - Global Standards 2017: UK national supplement* 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.
deductible temporary differences	Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
deferred tax assets	The amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry-forward of unused tax losses; and (c) the carry-forward of unused tax credits.
deferred tax liabilities	The amounts of income taxes payable in future periods in respect of taxable temporary differences.
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 of the Code 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 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	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local authority.
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 obligation	A promise in a contract with a service recipient to transfer to the service recipient 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 transaction	A transfer of resources or obligations between related parties, regardless of 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 (REFCUS)	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: • 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.
taxable profit (tax loss)	The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).
taxable temporary differences	Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
tax base of an asset or liability	The amount attributed to that asset or liability for tax purposes.
tax expense (tax income)	The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).
temporary differences	Differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either: (a) taxable temporary differences; or (b) deductible temporary differences.
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

BEIS Department for Business, Energy & Industrial Strategy

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

DBEIS Department for Business, Energy & Industrial Strategy

DECC Department of Energy and Climate Change

DEFRA Department for Environment, Foods and Rural Affairs

DHSC Department of Health and Social Care

DLUHC Department for Levelling Up Housing and Communities

DRC Depreciated Replacement Cost

DWP Department of Work and Pensions

ECL Expected Credit Loss

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

IASB International Accounting Standards Board

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

OCI Other Comprehensive Income

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

RPA Rural Payments Agency

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