

COPELAND BOROUGH COUNCIL

Statement of Accounts

Year Ending 31 March 2020

Copeland Borough Council

Statement of Accounts 2019/20

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Narrative Report

1. Introduction

- 1.1 The Statement of Accounts summarises Copeland Borough Council's financial performance, financial position and cash flows for the financial year from 1 April 2019 to 31 March 2020.
- 1.2 To provide context to and assist in the interpretation of the Statement of Accounts, the Narrative Report which follows provides information about the Council of relevance to understanding its financial performance and position. This includes information about the Council'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 Council'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 On the reorganisation date (1 April 2023) Copeland 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.

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The area of Copeland

- 2.4 The Borough of Copeland was one of six district areas that make up Cumbria; the third largest county in the UK by area, yet one of the most sparsely populated.
- 2.5 Copeland is an area of extreme contrasts. It contains England's highest mountain (Scafell Pike) and its deepest lake (Wastwater), and two-thirds of the borough's 285 square miles sit in the Lake District National Park, a UNESCO World Heritage Site.
- 2.6 Complementing the Lake District's outstanding beauty, Copeland hosts 80 kilometres of coastline, which, at St Bees Head, incorporates the only section of Heritage Coast in North West England.
- 2.7 The borough has four main population centres - Whitehaven, Egremont, Cleator Moor and Millom. Of Copeland's 68,424 residents, 35.3% live in urban areas while 64.7% live in rural areas. In terms of population, Copeland has a lower proportion of those aged under 64, compared to the national average.
- 2.8 In March 2020, Copeland had 35,000 jobs in the local economy, the majority of which (55%) were supported by Sellafield Limited and its supply chain. The sector with the highest proportion of enterprises in Copeland is Agriculture, forestry & fishing (19.7%), followed by professional, scientific and technical (18.3%), and construction (9.9%). In 2020, the top three occupational types for employment were:
- Professional occupations (24.7%)
 - Elementary occupations (21.4%)
 - Associated professional and technical occupations (13.8%).
- 2.9 The overall life expectancy at birth in Copeland is 78.2 years for men and 81.7 years for women; both significantly lower than the national average.
- 2.10 The overall level of unemployment (Alternative Claimant Count) is in line with the national average (both 3.1%). However, unemployment among young adults (aged 18-24) is well above the national average (Copeland = 5.1%, GB = 3.5%).

Members & Workforce

- 2.11 During 2019-20 the Council had 33 elected Members and around 230 (full time equivalent) staff (officers).
- 2.12 The Council's constitution set out how the Council operates its business and its decision-making processes. Members and officers followed a Code of Conduct to ensure standards in the way they undertake their duties, decision making and aims to ensure ethical standards and increase public confidence in the integrity of their local members.
- 2.13 The Council had a Mayoral and Executive style decision-making structure. The Council had one main Overview and Scrutiny Committee consisting of 11 councillors, which met regularly to consider performance and portfolio reports. A number of other committees dealt with specific areas of council

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business including Planning, Licensing, Audit & Governance and Human Resources.

- 2.14 The Council's elected Members worked collaboratively with all public services and other key partners to reduce duplication of work and improve customer service. The Council was a member body of the following Strategic Partnerships:

Copeland Community Fund	Britain's Energy Coast Properties
Greenwich Leisure Ltd	Cumbria Resilience Forum
Copeland Partnership	Cumbria Local Enterprise Partnership
Copeland Works and Skills Partnership	Joint District Forum
Howgate and Distington Partnership	Cumbria Housing Group
Regen NE Copeland	Public Health Alliance
West Copeland Partnership	Cumbria Strategic Waste Partnership
Mid Copeland Partnership	Lake District National Park Partnership
Whitehaven Locality Partnership	Cumbria Police and Crime Panel
South Copeland Partnership	Nuclear Legacy Advisory Forum (NULEAF)
Copeland Housing Partnership	Cumbria Leadership Board
Copeland Health and Wellbeing Forum	Lake District National Park Authority
WC Community Safety Partnership	Cumbria Local Nature Partnership
West Cumbria Site Stakeholder Group	New Nuclear Local Authorities Group (NNLAG)

Annual Governance Statement

- 2.15 A summary of the key elements of the systems and processes that comprise the Council's governance arrangements are set out in the Annual Governance Statement that accompanies the Statement of Accounts (section 6).
- 2.16 The Annual Governance Statement provides a summary of the arrangements put in place by the Council 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

Corporate Strategy

- 3.1 The Corporate Strategy identified four ambitions and six strategic outcomes that the Council worked towards achieving.

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	Ambition	Strategic outcome
1	Town Centre Regeneration	(i) For our towns, villages and streets to reflect the prosperity of the area.
2	Commercialisation	(ii) To grow the commercial activity of the Council to benefit the people of Copeland, ensuring the wealth generated in Copeland, stays in Copeland.
3	Employment Skills and Social Wellbeing	(iii) To attract businesses, professionals and entrepreneur to Copeland and retain our talented young people. (iv) Strategic outcome - To work with partners to support the most vulnerable in our borough
4	Strengthen the Way We Operate	(v) To continually review our services to ensure they meet the needs of the people of Copeland and ensure they are efficient, effective and accessible. (vi) To maximise our opportunities for growth, within the council and with our strategic partners.

- 3.2 In August 2018, as part of the budget consultation and budget setting process, the Council's Executive confirmed their commitment to the continued relevance of the existing Corporate Strategy 2016-20 and agreed the priorities for delivering the four ambitions within the Corporate Strategy Delivery Plan 2019/20. The plan, along with a suite of Key Performance Indicators (KPIs) was used to periodically monitor progress and performance against the Corporate Strategy. Update reports were received by both the Overview and Scrutiny Committee and the Executive and can be accessed on the Council's website.

Progress and Performance against the Corporate Strategy

- 3.3 The Corporate Strategy Delivery Plan and KPIs were reviewed annually in consultation with the Leadership and Management Group and Corporate Leadership Team to ensure that they are appropriate and relevant.
- 3.4 There were 20 Key Deliverables set in the Corporate Strategy Delivery Plan for 2019/20 of which fourteen were achieved in full (70%) by the end of the fourth Quarter.
- 3.5 Of the remaining six key deliverables, all were more than 50% complete and making good progress up to mid-March 2020, after this point, the Council's Business Continuity Plan was implemented in response to the Covid 19 Pandemic which meant that critical service delivery and community support took precedent.

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Table 1 – 2019/20 Corporate Strategy Key Deliverables - % Progress at end of Q4

Code	Title	Status	Progress
KD 1	Pride of Place-Town Centre Regeneration Scheme	✓ Completed	100%
KD 2	Pride of Place public – Public Realm schemes	✓ Completed	100%
KD 3	High Street Fund	✓ Completed	100%
KD 4	Economic Vision for Copeland	⚠ Delayed (Covid19)	66%
KD 5	Community Led Housing Schemes	✓ Completed	100%
KD 6	Strategic Asset Management Plan	⚠ Delayed (Covid19)	66%
KD 7	Commercial Infrastructure	✓ Completed	100%
KD 8	Beacon 5-year Business Plan	🔴 Overdue	50%
KD 9	SL Social Impact Plan	⚠ Delayed (Covid19)	50%
KD 10	Beacon Portal for Learning	✓ Completed	100%
KD 11	Work and Skills Programme	✓ Completed	100%
KD 12	Enterprise Initiatives	⚠ Delayed (Covid19)	50%
KD 13	Domestic Abuse Prevention Project	✓ Completed	100%
KD 14	Copeland Health and Wellbeing Priorities	✓ Completed	100%
KD 15	Strategic Housing Offer	✓ Completed	100%
KD 16	Work Force Development Plan	✓ Completed	100%
KD 17	ICT Strategy	✓ Completed	100%
KD 18	Sustainable Financial Strategy	⚠ Delayed (Covid19)	100%
KD 19	Bereavement Services Expansion Programme	⚠ Some rescheduling	66%
KD 20	Accommodation Strategy	✓ Completed	100%

Key Achievements and Deliverables

3.6 During 2019/20 key deliverables achieved included:

Town Centre Regeneration

- The Pride of Place Building Grants Scheme, under which, focused was maintained on our population centres and 113 building renovation grants were awarded to businesses across the borough.
- In excess of £2.5 million of external funding was secured for economic and community development projects and programmes. A Tourism Summit was held and funding was secured for a Tourism development programme and a large-scale Coastal Regeneration Programme.
- A 'Shop Local Campaign' was launched to stimulated business growth and help local businesses to recover and develop following Covid-19 lockdowns.

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- Focused intervention on empty homes, meant we were able to bring 84 empty homes back into use.
- We also worked with community groups to identify and develop 2 small Community Led Housing Schemes to impact our Town Centres and mitigate for any negative impacts of second and empty homes.
- Following the termination of the PFI contract and transfer of the Copeland Centre to the Council, our Strategic Asset Management Plan and Accommodation Strategy were finalised, helping to facilitate growth and generate future investment opportunities in the borough.

Commercialisation

- During 2019-20 the Council continued to create a Commercial Culture through the operation and improvement of our existing key trade services on a commercial basis with regards to value for money, quality and competitiveness. We improved our in-house commercial infrastructure to support potential for commercial activity and support increased income, productivity and efficiency savings.

Employment, Skills and Social Wellbeing

- Providing support to 83 Copeland residents to develop skills and access work opportunities through the Copeland Work and Skills Partnership
- Continuing to provide crisis support and intervention people affected by domestic abuse and building on relationships and holistic approach with our partners and other public authorities.
- Through the Social Investment Programme, we supported local organisations concerned with health and wellbeing, childhood poverty, skills and work and digital and financial inclusion. A Social Prescribing project was launched which helped residents to improve their health and wellbeing by connecting them with a range of groups, activities and services.

Strengthen the Way We Operate

- During 2019-20 we Strengthened Our Own Operations through the implementation of a new ten-year Workforce Development Plan with a focus on quality training and succession planning and our commitment to be an employer of choice in our local area. We maintained our recovery from the cyber-attack by strengthening of ICT estate and security.

Key Performance Indicators (KPIs)

- 3.7 A total of 25 KPIs were monitored against the Corporate Strategy ambitions in 2019/20. The outturn position for the year was that 84% of KPIs met their annual targets (21 out of 25). 72% of KPIs performed better when compared to the previous year. (18 out of 24).

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Table 2 – KPIs monitored in 2019/20

Corporately owned Performance Indicators	Was the annual target met?	Outturn compared to previous year
% Council Tax collected		
Number empty homes <6months brought back into use		
Number of new homes approved		
Number of new homes built		
Number of AFFORDABLE homes BUILT		
Number of larger family and aspirational homes built		
External funding for Economic Development Secured (£)		
Additional income generated through Commercial activity		
% Non-domestic Rates Collected		
Number of people supported with employability and skills		N/A
Speed of processing - new HB claims		
Speed of processing - new CTR claims		
Speed of processing - changes of circumstances for HB claims		
Speed of processing - changes of circumstances for CTR claims		
% Homeless relief cases resolved in statutory timeframe		
Domestic Abuse Project – feedback and satisfaction		
% complaints resolved at stage one		
% Freedom of information requests resolved within timescale		
% Household waste sent for reuse, recycling and composting		
% Reduction in residual household waste		
% Council TAX collected using Direct Debit payment method		
% 'major' planning applications determined within 13 weeks		
% 'minor' planning applications determined within 8 weeks		
% 'other' applications determined within 8 weeks		
% planning appeals dismissed		

4. Risk Management

- 4.1 Throughout 2019-20 the Council had in place a Risk Management Policy This included a risk appetite statement agreed by the Corporate Leadership Team. This policy was last refreshed in March 2018 with a review of the policy scheduled to take place on a biennial basis unless significant changes at a local or national level occur between planned review dates.

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- 4.2 Risk registers were used to assess identify, assess, manage and monitor risks. The following risk registers are used in the Council:
- Strategic Risk register
 - Operational Risk register
 - Projects Risks
 - Partnership Risks
 - Health and Safety Risks.
- 4.3 The Zurich Risk Assessment Matrix was used across the Council to quantify identified risks by reference to the likelihood of the risk crystallising and the associated impact on the Council.











		Impact			
		1	2	3	4
Likelihood		Negligible	Marginal	Critical	Catastrophic
6	Very High	6	12	18	24
5	High	5	10	15	20
4	Significant	4	8	12	16
3	Low	3	6	9	12
2	Very Low	2	4	6	8
1	Almost Impossible	1	2	3	4

Strategic and Operational Risk Management.

- 4.4 The Strategic Risk Register (SRR) was a central register of all the risks that may prevent the Council meeting its long-term strategic objectives, it was owned and managed by the Corporate Leadership Team and each risk has a named owner.
- 4.5 Strategic Risks were identified by the Corporate Leadership Team and may be added to by horizon scanning or the escalation of risks from the Operational Risk Register. The Corporate Leadership Team reviewed all strategic and high-level operation risks on a quarterly basis and report to the Audit Committee on risk managements activities.
- 4.6 The Strategic risk register contained the following details for each risk:
- risk contributing factors
 - risk triggers
 - risk impacts/consequences
 - current internal controls
 - required internal controls/actions
 - risk scores – current and target.
- 4.7 The Operational Risk Register (ORR) was a central register of Service level risks produced as part of the annual service plan. The Council's operational risks were owned, managed and updated by Service Managers. Operational risks were identified through various channels including annual service planning activities, team meetings, process improvements and staff appraisals.

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- 4.8 Quarterly review and updating of strategic and operational risk were recorded centrally on Pentana, a web-hosted Performance and Risk Management system. All strategic and operational risks are visible (in real time) to the Corporate Leadership Team via a Dashboard on Pentana.
- 4.9 Principal risks on the strategic risks register during 2019-20 were:

Status	Risk Code & Title	Impact	Likelihood	Score	Target Score
	SR001 Failure to Maintain Focus on the Councils Core Business	4	4	16	12
	SR002 Lack of Capacity, Resources and Capability to Deliver the Corporate Strategy and Core Services	4	4	16	16
	SR003 Failure to Ensure Partnership Working to Deliver Corporate Priorities both within and outside the Council	3	3	9	9
	SR006a Failure of Copeland economy to fulfil its potential relating to new missions, Sellafield Transformation and economic transformation	4	3	12	4
	SR007 Uncertainty Around Non-Domestic Rates, Appeals and Business Growth	3	3	9	9
	SR008 Council ICT systems do not demonstrate resilience, redundancy and or high availability	3	3	9	9
	SR009 Failure to Ensure Effective and Statutory Information Governance	3	4	12	12
	SR010 Failure to Realise Income from Commercial and Trading Activity	3	4	12	12
	SR012 Failure for the Council to prepare for the possibility of changes in Local Government governance arrangements.	3	3	9	9
	SR004 Failure to Prioritise and put attention on Vulnerability and Social Inclusion	3	2	6	6
	SR005 Failure by the Council to Maintain an Effective Role within the Nuclear and Energy Sectors	3	2	6	4

5. Financial Resources Overview

- 5.1 On 5 February 2019 Council agreed the 2019-22 Medium Term Financial Strategy (MTFS) that underpins performance and service delivery.

Economic climate

- 5.2 The national and international economic climate, together with the Government's ongoing commitment to reducing the deficit through reductions in public sector spending, continued to present a very challenging financial environment for the Council throughout 2019-20.
- 5.3 Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing and timing of these cuts had made it very difficult for authorities to plan their spending priorities strategically.
- 5.4 The government's response to these concerns was the offer of a four-year settlement guarantee, covering the four-year period 2016-17 to 2019-20. The Council chose to take advantage of this offer and published, in line with terms of the multi-year offer, its Efficiency Plan in October 2016.
- 5.5 The Autumn Statement 2016, confirmed the government's commitment to the departmental spending plans set out in the 2015 Spending Review. Although reductions in departmental spending and further fiscal tightening was avoided, there was no easing of austerity for public services.
- 5.6 2019-20 marked the end of the current four-year settlement period and considerable uncertainty exists over the funding of local government beyond 2020-21. In the 2019 Spring Statement, the Government announced its intention to hold a new spending review in 2019 covering three years 2020-21 to 2022-23. However, this was conditional on a Brexit deal being agreed and, with the subsequent political turbulence and financial uncertainty surrounding Brexit, it was later announced that a one-year Spending Round would be provided covering the financial year 2020-21 only. This would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.
- 5.7 Government previously announced that the 2020 Spending Review would be finalised in the autumn of 2020, covering years from 2021-22 to 2023-24 for revenue spending, and years from 2021-22 to 2024-25 for capital spending. However, due to the economic disruption caused by Covid-19 it subsequently confirmed that in order to prioritise the response to the pandemic, it would instead conduct a one-year spending review which will set departmental budgets for one year only.
- 5.8 The Government had previously used the 2019-20 settlement announcement to reaffirm its intention to move to 75% local retention in 2020-21. Along with the Fair Funding Review, previously scheduled to take place in 2019, implementation was subsequently pushed back to 2021-22. However, the Government subsequently announced that the Review of

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Relative Needs and Resources (Fair Funding Review) and the move to 75% business rates retention, would no longer be implemented in 2021-22.

Medium Term Financial Strategy

- 5.9 The 2019-20 revenue budget was set within the context of the Council's Medium Term Financial Strategy (MTFS). The MTFS provided the funding framework within which the Council sort to achieve the priorities set out in the Corporate Strategy and highlighted the key financial risks facing the Council. The MTFS, published alongside the Council's 2019-20 budget, showed that, in order for the Council to remain financially sustainable and continue to meet its statutory obligation to deliver a balanced budget, it would need to address a residual funding gap of £1.385m over the life of the current MTFS ending in 2021-22.
- 5.10 The Council updated its MTFS during 2019-20 to reflect its key priorities and achieve financial sustainability. The MTFS was also be updated to reflect changes to forecasted funding. At the time considerable uncertainty existed over the funding of local government beyond 2019-20. The Governments Fair Funding Review, reset of business rates baselines and changes to the business rates retention system all have critical implications for the distribution of funding across local government. At the same time, the results of Spending Review 2019 affected the total level of funding available to the local government sector from April 2020.

2019-20 Revenue Budget

- 5.11 Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure is met from the following sources:
- Fees and charges
 - Government grants including unringfenced grants e.g. Revenue Support Grant
 - Council Tax and Business Rates, and
 - Reserves - General Fund Balances and Earmarked Reserves.
- 5.12 The Council's net revenue budget was set at £8,571k and was funded as follows:

Sources of Finance	£'000
Revenue Support Grant	39
Business Rates	2,589
Business Rates Pooling	200
Other Grants	447
New Homes Bonus Grant	125
PFI Grant	837
Council Tax	4,234
Council Tax: Collection Fund Surplus	100
	8,571

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- 5.13 The amount of Revenue Support Grant provided to the Council through the 2019-20 Local Government Finance Settlement was £39k. This represents a reduction of £338k on the amount (£377k) awarded in 2018-19. For 2019-20 the Council's share of Council tax was increased by 1.95% across all council tax valuation bands.

2019-20 Capital Budget

- 5.14 The Revised Capital Programme for 2019-20 was £7,021k. The outturn (Directorate Capital Expenditure) and funding for 2019-20 was £2,379k. Funding for the programme was a mixture of Capital Receipts (£637k) Grants and Contributions (£637k) and leasing (£704k).

	Budget £'000	Outturn £'000	Variance £'000
Capital Expenditure			
Directorate Capital Expenditure	1,955	2,379	424
Termination of PFI contract	5,066	4,179	(887)
	7,021	6,558	(463)
Financed by			
Capital Grants and Contributions	657	637	(20)
Capital Grants – PFI termination	5,066	4,179	(887)
Capital Receipts	1,200	1,038	(162)
General Fund Balances (inc. Earmarked Reserves)	0	0	0
Leasing	0	704	704
Borrowing	98	0	(98)
Total Financing	7,021	6,558	(463)

- 5.15 Significant projects within the 2019-20 revised capital programme included:
- £1,000k - Distington Hall Crematorium works
 - £557k - Disabled Facilities Grants (mandatory and discretionary)
 - £200k - Town Centre Regeneration
 - £100k - Beacon Virtual Museum.

6. Financial Performance

Financial Management: Revenue expenditure compared to budget

- 6.1 The table below shows the actual expenditure for 2019-20 compared to the Council's budget and how that expenditure was financed; this excludes transfers to and from reserves.

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	Budget £'000	Actual £'000	Variance £'000
Service Area			
Corporate Services	2,837	3,940	1,103
Customer and Community Services	738	755	17
Democracy	593	753	160
Housing and Environmental Health	1,131	1,056	(75)
Planning and Economic Development	597	151	(446)
Property and Estates	1,265	629	(636)
Refuse and Recycling	1,788	2,328	540
Revenues and Benefits	370	484	114
All Other	(227)	(252)	(25)
Net Budget Requirement	9,092	9,844	752
Sources of Finance	(8,571)	(8,754)	(183)
Net Charge/(credit) to General Fund	521	1,090	569

- 6.2 Internal budget reports, analysing income and expenditure across the Council's directorates, services and departments, and used to inform decisions about resource allocation are prepared on a statutory basis (also referred to as the funding basis). These reports reflect amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts are summarised in Expenditure and Funding Analysis.
- 6.3 A summary of the service areas aggregated within the individual line items of the segmental structure used in the Comprehensive Income and Expenditure Statement and Expenditure and Funding analysis is set out below.

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Segment	Services
Corporate Services	Audit. Business Support. Director of Commercial and Corporate Resources. Financial Services. Human Resources. ICT Services. Legal Services. Procurement. Corporate Health and Safety. Communications. Head of Paid Service.
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Director of Customer and Community Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Economic Development. Strategic Planning.
Property and Estates	Property and Estates
Refuse and Recycling	Refuse and Recycling
Revenues and Benefits	Revenues and Benefits
All Other	Licensing. Nuclear.

- 6.4 The table above shows a net deficit on the provision of services during the year of (£1,090k). Net transfers to earmarked reserves totalled £458k, leaving a net reduction in unearmarked General Fund balances (General Reserve) of £632k. This is summarised in the table below:

Summary of movements in General Fund balances

	Budget £'000	Actual £'000	Variance £'000
Impact on the General Fund			
(Surplus) or Deficit on Provision of Services	521	1,090	569
Met from:			
Transfers to / (from) earmarked reserves	(521)	(458)	63
Transfer to/(from) General Fund	0	(632)	(632)
Total contributions to / (from) balances	(521)	(1,090)	(569)

7. Financial position at the Balance Sheet date

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

	31 March 2019 £'000	31 March 2020 £'000	Year on Year Change £'000
Non-Current Assets	32,950	33,076	126
Current Assets	32,725	36,764	4,039
Current Liabilities	(8,460)	(12,935)	(4,475)
Long Term Liabilities	(36,537)	(33,730)	2,807
Net Assets	20,678	23,175	2,497
Usable Reserves	(22,640)	(21,179)	1,461
Unusable Reserves	1,962	(1,996)	(3,958)
Total Reserves	(20,678)	(23,175)	(2,497)

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Significant balance sheet movements during 2019-20

7.2 During 2019-20:

- the carrying value of non-current assets, including Property Plant (PPE) and Equipment and Investment Property increased by £126k. The key items underpinning this increase are:
 - an increase in the carrying value of Investment property of £224k, underpinned by revaluation gains of £326k
 - a decrease in the carrying value of PPE of £146k reflecting additions of £2,530k and transfers of £102k less revaluation losses of £851k and depreciation of £1,927k
- Net current assets fell by £436k; The key items underpinning this reduction were:
 - an increase in cash and cash equivalents (net of bank overdrafts) of £2,031k
 - an increase in short term debtors of £1,645k
 - an increase in short term creditors, contract and other liabilities of £3,579k
 - an increase in the NNDR appeals provision of £661k
- Long-term liabilities decreased by £2,807k reflecting a net reduction in PFI and finance liabilities of £4,054k underpinned by a £4,373k reduction in the PFI liability following termination of the Council's PFI contract with Equitix (Copeland) Ltd, offset by an increase of £1,247k in the net pension liability
- Usable Reserves decreased by £1,461k, reflecting decreases in the Capital Receipts Reserve and General Fund balances (earmarked and unearmarked) of £656k and £1,090k respectively and an increase in the Capital Grants Unapplied Balance of £285k (see note 16).
- Unusable reserves increased by £3,958k underpinned by an increase in the Capital Adjustment Account balance of £6,159k offset by a reduction in the Revaluation Reserve balance of £1,798k (see note 17).

Valuation of non-current assets:

7.3 The Council carries out a 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 both 2018-19 and 2019-20 an extensive revaluation exercise was carried out covering the majority of the Council's property portfolio.

7.5 The revaluation exercise resulted in the recognition of net revaluation losses of £851k comprising gains of £1,013k debited to the revaluation reserve less

1: NARRATIVE REPORT

gains of £162k credited to the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

- 7.6 Investment Property and Assets Held for Sale are revalued annually. During 2019-2020 the fair value of the Council's investment properties increased by £326k.

Defined Benefit Pensions Liability:

- 7.7 The Council offered retirement pensions to its staff under a statutory scheme and made contributions on their behalf. Although the pension benefits are not payable until employees retire, the Council had a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.
- 7.8 At 31 March 2020 the Council's net pension liability was £27.58m (31 March 2019: £26.33m). Although this sum has a significant impact on the net assets of the Council, as shown in its Balance Sheet, the deficit will be addressed by increased contributions to the scheme in future years. These increased contributions have been reflected in the Council's Medium-Term Plan.
- 7.9 The £1.247m increase in the net pension liability is underpinned by:
- a decrease in the benefit obligation of £2.3m including:
 - interest and service costs of £4.8m
 - past service costs and curtailments of £0.4m
 - contributions by scheme participants of £0.4m
 - experience losses of £0.9m, less
 - actuarial gains associated with changes to financial and demographic assumptions of assumptions of £5.5m and.
 - benefits paid of £3.3m.
 - a decrease in the carrying value of the Council's share of scheme assets of £3.6m including:
 - an increase of £3.5m relating to net interest on plan assets of £1.8 and contributions (employer and employee) of £1.6m, less
 - re-measurement losses, reflecting the difference between the actual investment return on plan assets and the interest rate used to calculate the net interest cost included in the CIES of £3.7m
 - benefits paid out and administration costs of £3.3m

1: NARRATIVE REPORT

Short and Long-term Borrowing

- 7.10 At 31 March 2020, the Council's external borrowing stood at £5m (31 March 2019: £5m). This related to a Lender Option Borrower Option (LOBO) fixed rate loan. No new borrowing was undertaken during 2019-2020.

Revenue Reserves

- 7.11 At 31 March 2020, un-earmarked general fund reserves stood at £2,124k (31 March 2019: £2,756k) and earmarked revenue reserves at £12,318k (31 March 2019: £12,776k). 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; and
 - as a contingency to cushion the impact of unexpected events or transactions.
- 7.12 At 31 March 2020 significant earmarked reserve balances, accounting for £10,120k of the total balance of £13,344k included:
- £1,506k PFI Reserve to smooth the cost of the PFI scheme
 - £3,196k External Resources Shortfall Reserve to meet the cost of unbudgeted changes in external funding for example from a Business rates appeal
 - £680k Commercial and Corporate Resources - budget carry forwards
 - £590k Customer and Community Services - budget carry forwards
 - £971k Economic Growth - Nuclear activities
 - £500k Economic Growth - Business Development
 - £852k for the Industrial Solutions Hub Project
 - £799k for the Well Whitehaven Project.

8. Cash flows

- 8.1 During 2019-20 the net increase in cash and cash equivalents (i.e. short-term highly liquid investments with maturities at the date of acquisition of three months or less) was £2,031k.

	2018/19 £000	2019/20 £000
Net Cash Flows from Operating Activities	86	(166)
Net Cash Flows from Investing Activities	7,087	3,552
Net Cash Flows from Financing Activities	(1,301)	(1,355)
Net increase / (decrease) in Cash & Cash Equivalents	5,872	2,031

1: NARRATIVE REPORT

- 8.2 The net cash outflow from operating activities totalled £166k, compared to an inflow of £86k in 2018-19. The net cash inflow during 2019-20 reflects the net surplus on the provision of services of £2,588k adjusted for non-cash transactions included in the net surplus on the provision of services (£1,806k) and items related to investing and financing activities account included in the surplus on the provision of services (£4,560k).
- 8.3 The net cash inflow from investing activities totalled £3,552k (2018-19: £7,087k). This includes capital grants received of £5,066k and payments for the purchase of property plant and equipment of £1,896k.
- 8.4 The net cash outflow from financing activities totalled £1,355k, compared to net cash outflow of £1,301k in 2018-19. The year-on-year change of (£54k) reflecting the cash outflows associated with the reduction in PFI and lease liabilities following termination of the Council's PFI contract in March 2020 (£3,272k). This is offset by the year-on-year change of £1,684k in the net cash flows from Council Tax and NNDR rates collected on behalf of central government and major precepting authorities but not yet aid over, and accountable body grants accounted for on an agency basis of £1,534k.

9. Covid-19 Pandemic

- 9.1 The budget for 2020-21 was set before the impact of the global COVID-19 pandemic were known about. COVID 19 had a significant impact on the financial situation of the Council and the borough, although this was largely offset through various government initiatives to support local government. It did not have a material impact on the Council's finances for 2019-20.
- 9.2 In 2020-21, businesses in the borough were supported through the provision of business rate reliefs and grants, funded by central government. Residents were supported with multi agency work involving Copeland, County Council, health, and the voluntary sectors. The COVID-19 response took, out of necessity, precedence over the delivery of day-to-day services and involved new ways of working such as remote access.

10. The Financial Statements

- 10.1 The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its financial position as of 31 March 2020. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS).
- 10.2 The Statement of Responsibilities for the Statement of Accounts sets out the responsibilities of the Council (Cumberland Council as successor body to Copeland Borough Council) and Authority's Chief Financial Officer in relation to the Statement of Accounts.

1: NARRATIVE REPORT

10.3 Financial Statements, consists of:

- Comprehensive Income and Expenditure Statement for the period
- Movement in Reserves Statement for the period
- Balance Sheet as at the end of the period
- Cash Flow Statement for the period
- Notes, comprising significant accounting policies and other explanatory information
- Collection Fund and supporting notes.

Comprehensive Income and Expenditure Statement

- 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

- 10.5 This statement shows the movement from the start of the year to the end on the different reserves held by the Council, 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 Council'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

- 10.6 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories: (i). Usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, and (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'.

1: NARRATIVE REPORT

Cash Flow Statement

- 10.7 This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council is funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

Collection Fund

- 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 Council 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).

Glossary

- 10.9 A glossary of key terms used in the financial statements can be found in section 7.

1: STATEMENT OF RESPONSIBILITIES

[1] The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (Section 151 Officer)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts – a function that is delegated to the Audit Committee.

[2] The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

[3] Certification by the Chief Finance Officer

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

Catherine Bell FCCA
Chief Financial Officer (Section 151 Officer)
Cumberland Council (as successor to Copeland Borough Council)

Dated: 28 April 2025

[4] Audit & Risk Committee Approval

These statements were considered and approved by the Audit & Risk Committee on 28 April 2025.

Councillor Lucy Patrick
Chair of the Cumberland Council Audit & Risk Committee
(as successor to Copeland Borough Council)

Dated: 28 April 2025

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

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Copeland Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, notes to the financial statements, including a summary of significant accounting policies and the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We are required under International Standard on Auditing (UK) 580 to obtain representations from those charged with governance as part of our audit procedures. These include statements that those charged with governance have fulfilled their responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, that they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement and that all transactions have been recorded and are reflected in the financial statements. Those charged with governance have not provided us with these representations and as a result we have concluded that the possible effects on the financial statements arising from this matter could be both material and pervasive.

In addition, the Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The Authority is required to approve their accounts following the conclusion of the elector period and the audit, in advance of the backstop date. The Authority approved its accounts on 28 April 2025.

We have not been able to obtain sufficient appropriate audit evidence to conclude that the Authority's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures as we issued a disclaimer of opinion on the financial statements for the year ended 31 March 2019. We were unable to obtain sufficient, appropriate audit evidence in these areas:

1: AUDITOR'S REPORT

Inadequate books and records

We identified significant weaknesses in the Authority's financial record keeping. These weaknesses in record keeping resulted in management being unable to produce sufficient evidence to support several material account balances and disclosures within the financial statements. The Authority's records were insufficient in respect of reported values for land and buildings, infrastructure, investment property, assets held for sale, depreciation, reserves, gross expenditure, the expenditure and funding analysis and leases. As part of our audit work in respect of Copeland Borough Council we have also become aware of some potentially irregular transactions, involving a member of senior management (at the time) for which we have asked management to investigate further. As a result of all of the above, we were unable to obtain assurance that entries within the financial statements were supported by sufficient appropriate audit evidence.

Compliance with capitalisation direction

The Authority suffered a severe cyber-attack in August 2017, which had a significant impact on its IT systems, services and financial reporting. Key Authority IT systems were lost for five weeks and the Authority was without a financial system for eight months. The Authority received a capitalisation direction of £0.99 million from the Department for Levelling Up, Housing and Communities (DLUHC) for the year ended 31 March 2019 which enabled it to capitalise costs incurred in responding to the cyber-attack, rather than charging them in full to their annual revenue budget. However, the Authority was unable to provide us with financial records that fully explained the make-up of the cyber-related costs and lost income to support the capitalisation direction issued to them by DLUHC. As a result, we were unable to obtain sufficient appropriate audit evidence to enable us to conclude that the cyber-related costs that the Authority capitalised in the year ended 31 March 2019 complied with the terms of the capitalisation direction. Consequently, we were unable to conclude whether any adjustments were required to the financial statements in respect of this matter.

Use of journals

The Authority did not close its ledger after the completion of the audit for the year ended 31 March 2018. We found evidence that numerous journals had been posted across multiple financial years, including to years for which audits had previously been completed. As a result, we were unable to conclude whether the Authority had provided us with a complete list of journals for the year ended 31 March 2019. Consequently, we were unable to complete our testing of journals and so were unable to determine whether any adjustments to the Authority's financial statements were necessary in respect of this matter.

These matters have not been resolved in the current year and therefore their impact could be both material and pervasive to the current year financial statements.

1: AUDITOR'S REPORT

We have concluded that the possible effects on the financial statements of undetected misstatements arising from all of these matters could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirements in the Regulations that they publish the audited financial statements for the year ended 31 March 2020 as soon as practicable after the backstop date.

Emphasis of matter – Demise of the organisation

We draw attention to note 43 which indicates that Copeland Borough Council ceased to exist on 31 March 2023 and the assets and liabilities of Copeland Borough Council transferred to Cumberland Council on 1 April 2023. Our opinion is not modified in respect of this matter.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether 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

1: AUDITOR'S REPORT

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

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 21, 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

1: AUDITOR'S REPORT

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

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects Copeland Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources for the year ended 31 March 2020, we identified the following matters:

Informed decision making

- The Authority did not have adequate arrangements in place to produce financial statements which met reporting deadlines, statutory requirements and international financial reporting standards;
- A CIPFA review of the Authority's internal audit function found that it only partially complied with Public Sector Internal Audit Standards. CIPFA's review of the effectiveness of the Audit Committee concluded that there was scope to enhance the skills and knowledge of members and to improve the Committee's effectiveness;
- The Authority received a capitalisation directive of £0.99 million from DLUHC for the year ended 31 March 2019 which enabled it to capitalise costs in responding to the August 2017 cyber-attack, rather than charging them in full to their annual revenue budget. The Authority was unable to produce sufficient appropriate audit evidence to support this expenditure and we are therefore unable to conclude that the terms of the capitalisation directive were met;
- The Authority suffered a severe cyber-attack in 2017 which had a significant impact on its IT systems, services and financial reporting. An independent IT health check in May 2019 identified 99 recommendations for improvement. In addition, the Authority did not have robust business continuity plans in place; and
- The Authority lacked sufficient capacity, skill and experience within its finance team to clear the backlog of financial statements, provide business as usual activity, implement improvements to financial planning, and support local government reorganisation effectively.

1: AUDITOR'S REPORT

These matters are evidence of weaknesses in proper arrangements for:

- reliable and timely financial reporting that supports the delivery of strategic priorities; and
- managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

- The Authority's Medium Term Financial Strategy (MTFS) was refreshed in February 2018. This indicated that efficiencies and additional income totalling £2.43 million were required to ensure the delivery of balanced budgets in each of the three remaining years of the MTFS (2018/19 to 2020/21). By February 2019 the efficiencies required to deliver balanced budgets had increased to £4.659 million for the period from 2018/19 to 2021/22. The level of required efficiencies indicated the fragility of the Authority's financial position. In addition, the lack of audited financial statements hinders the setting of accurate, robust and prudent budgets.
- A DLUHC review identified critical weaknesses in the Authority's financial governance arrangements. In addition, we identified weaknesses in the Authority's arrangements for medium term financial planning, making budgeting assumptions and performing sensitivity analysis.

These matters highlight pervasive strategic financial planning weaknesses at the Authority and are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

These weaknesses were not addressed during the year ended 31 March 2020 and as such we are not satisfied that, in all significant respects Copeland Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether in all

1: AUDITOR'S REPORT

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

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Copeland Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett
Key Audit Partner for and on behalf of Grant Thornton UK LLP
Local Auditor
London

14 May 2025

2: FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services, arrived at using generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; 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.

2018/19 (restated)				Note	2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
4,726	(172)	4,554	Corporate Services		4,447	(21)	4,426
4,522	(4,020)	502	Customer and Community Services		4,292	(2,705)	1,587
621	(2)	619	Democracy		1,064	(290)	774
2,384	(1,099)	1,285	Housing and Environmental Health		2,294	(1,273)	1,021
1,544	(2,648)	(1,104)	Planning and Economic Development		1,901	(1,542)	359
2,253	(918)	1,335	Property and Estates		2,368	(1,857)	511
4,131	(1,674)	2,457	Refuse and Recycling		3,981	(1,582)	2,399
16,051	(15,696)	355	Revenues and Benefits		14,726	(14,204)	522
321	(430)	(109)	Other		371	(611)	(240)
36,553	(26,659)	9,894	Net Cost of Services		35,444	(24,085)	11,359
1,068	-	1,068	Other Operating Income and Expenditure	8	1,137	(366)	771
1,697	(809)	888	Financing and Investment Income and Expenditure	9	1,403	(1,913)	(510)
-	(11,360)	(11,360)	Taxation and Non-Specific Grant Income	10	-	(14,208)	(14,208)
39,318	(38,828)	490	(Surplus) or Deficit on Provisions of Services		37,984	(40,572)	(2,588)
		(908)	(Surplus)/Deficit on revaluation of non-current assets	18 & 19			1,013
		2,042	Re-measurement of the net defined benefit liability/(asset)	31			(922)
		1,134	Other Comprehensive Income & Expenditure				91
		1,624	Total Comprehensive Income & Expenditure				(2,497)

2: FINANCIAL STATEMENTS

Movement in Reserves Statement

This Statement shows the movement from the start of the year until the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase or Decrease line shows the statutory General Fund Balance movements in the year following those adjustments. (Note: The figures for Earmarked Reserves are merged into a single column with the General Fund Balance).

	Note	General Fund Balance £'000	Capital		Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
			Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			
Balance at 1 April 2018 (As restated)		(13,899)	(6,679)	(556)	(21,134)	(1,168)	(22,302)
Movement in reserves during 2018-19							
(Surplus) or deficit on the Provision of Services		490	0	0	490	0	490
Other Comprehensive Income and Expenditure		0	0	0	0	1,134	1,134
Total Comprehensive Income and Expenditure		490	0-	0-	490	1,134	1,624
Adjustments between accounting basis and funding basis under regulations	15	(2,123)	1,352	(1,225)	(1,996)	1,996	-
(Increase) or decrease in 2018-19		(1,633)	(1,352)	(1,225)	(1,506)	3,130	1,624
Balance at 1 April 2019 (As Restated)		(15,532)	(5,327)	(1,781)	(22,640)	1,962	(20,678)
Movement in reserves during 2019-20							
(Surplus) or deficit on the Provision of Services		(2,588)	0	0	(2,588)		(2,588)
Other Comprehensive Income and Expenditure			0	0	0	91	91
Total Comprehensive Income and Expenditure		(2,588)	0	0	(2,588)	91	(2,497)
Adjustments between accounting basis and funding basis under regulations	15	3,678	656	(285)	4,049	(4,049)	-
(Increase) or decrease in 2019-20		1,090	656	(285)	1,461	(3,958)	(2,497)
Balance at 31 March 2020		(14,442)	(4,671)	(2,066)	(21,179)	(1,996)	(23,175)

The General Fund balance at 31 March 2020 comprises earmarked reserves of £12,318k (31 March 2019: £12,776k) and unearmarked balances of £2,124k (31 March 2019: £2,756k).

2: FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As restated 31 March 2019 ^a £'000		Note	31 March 2020 £'000
26,359	Property, Plant & Equipment	18	26,213
1,720	Heritage Assets	19	1,720
4,762	Investment Property	20	4,986
99	Intangible Assets	21	148
10	Long Term Debtors	24	9
32,950	Long Term (Non-Current) Assets		33,076
15,155	Short Term Investments	23	15,283
15	Assets Held for Sale	-	0
83	Inventories	-	97
5,507	Short Term Debtors	24	7,152
11,965	Cash and Cash Equivalents	26	14,232
32,725	Current Assets		36,764
	Bank Overdraft	26	(236)
(5,702)	Short Term Creditors	27	(7,223)
(1,142)	Contract and Other liabilities	28	(3,200)
(60)	Short Term Borrowing	29	(59)
(1,556)	Provisions	30	(2,217)
(8,460)	Current Liabilities		(12,935)
(5,000)	Long Term Borrowing	29	(5,000)
(26,330)	Net Pensions Liability	31	(27,577)
(5,207)	Other Long-Term Liabilities	32	(1,153)
(36,537)	Long Term Liabilities		(33,730)
20,678	Net Assets		23,175
(22,640)	Usable Reserves	16	(21,179)
1,962	Unusable Reserves	17	(1,996)
(20,678)	Total Reserves		(23,175)

a: Balances at 31 March 2019 have been restated to recognise revaluation gains of £151k on Heritage Assets.

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer (Section 151 Officer), on 8 November 2024.

2: FINANCIAL STATEMENTS

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 the operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council'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 Council.

As Restated 2018/19 £'000		Note	2019/220 £'000
(490)	Net surplus or (deficit) on the provision of services		2,588
2,838	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	1,806
(2,262)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(4,560)
86	Net cash flows from operating activities		(166)
7,087	Investing Activities	37	3,552
(1,301)	Financing activities	38	(1,355)
5,872	Net increase or (decrease) in cash and cash equivalents		2,031
6,093	Cash and cash equivalents at the beginning of the reporting period	26	11,965
11,965	Cash and cash equivalents at the end of the reporting period	26	13,996

3: NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies – Basis of Preparation

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

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

Significant accounting policies adopted in the preparation of the Council's financial statements are set out in section 5. 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, Copeland Borough Council was abolished on 1 April 2023. On that date all existing functions of the Council 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 2019-20 Statement of Accounts have been prepared on a going concern basis.

2. Changes to Accounting Policies & Prior Period Adjustments

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

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

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

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

features would have failed the SPPI criterion and resulted in the financial asset being measured at fair value through profit or loss.

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

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

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

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

Impact

Application of these amendments to IFRS 9 has not impacted on amounts previously reported in the Council's single entity statements.

IAS 40 Investment Property: Transfers of Investment Property

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

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

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

Additional disclosures are required if the requirements are adopted prospectively.

Application of these changes has not impacted on the classification of investment property in the Council's single entity accounts at 1 April 2019.

3: NOTES TO THE FINANCIAL STATEMENTS

Annual Improvements to IFRSs 2014 – 2016 Cycle

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

- (i) IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard.
- (ii) IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value.

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

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

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

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

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

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

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

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

The amendment to IAS 28 applies retrospectively from 1 April 2019

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

3: NOTES TO THE FINANCIAL STATEMENTS

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in section 5, the Council has made certain judgements about complex transactions or those that involve uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council leases a number of vehicles, specialised plant and other property used in the provision of services. It also acts as lessor in respect of leases of land and other Council property to third parties. Leases are classified as operating or finance leases based on the extent to which risks and rewards incidental to ownership lies with the lessee or lessor. Classification is dependent on the substance of the transaction and the subjective evaluation of the terms of the agreement against a number of primary and secondary criteria, set out in IAS 17 – Leases and the Code, that individually or collectively support classification of each lease as either a finance or operating lease.
- In accordance with the Code of Practice on Local Authority Accounting, the Council, 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.

Under IAS 40, property held for a ‘currently undetermined future use’ is regarded as being held for capital appreciation and classified as investment property. Under the Code, such property may however be classified as a Surplus Asset within Property, Plant and Equipment. In applying the Code, the Council classifies as Surplus Assets property held for a ‘currently undetermined future use. These assets are carried in the balance sheet at current value based on fair value, estimated at highest and best use from a market participant’s perspective. This is the same basis used for the valuation of investment property.

- In 2004 the Council entered into a PFI agreement with Equitix (Copeland) Limited (formerly London & Regional (Copeland) Limited) for the provision of office accommodation (the Copeland Centre) in Whitehaven along with its maintenance and other related services. The Council has considered the contract under IFRIC 12 and the Code and concluded this is a service concession.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council’s Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

3: NOTES TO THE FINANCIAL STATEMENTS

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 Council 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 £189k per year, if the useful lives of individual assets were to be reduced by one year. However, statutory accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Provisions	<p>The Council's balance sheet at 31 March 2020 includes provisions totalling £2,217k (31.3.19: £1,556k). This includes:</p> <ul style="list-style-type: none"> £2,126k (31.3.19: £1,465) in respect of the Council's share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list Other provisions of £91k (31.3.19: £91k) in respect of insured liabilities (insurance excesses) including and the repayment of capital grants. 	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	<p>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.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 31. During 2019-20, the Council's actuaries advised that the pension liability increased by £1,247k (2018-19: £3.920m increase). This includes a decrease of £922k (2018-19: £2,042k increase) resulting from experience losses and re-measurements associated with changes in financial and demographic assumptions.
Fair value measurements – Investment Property	The Council 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).	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.

3: NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>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.</p> <p>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).</p>	
Current value measurements - Operational Land and Buildings	<p>With the exception of specialised assets, the Council 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).</p> <p>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.</p> <p>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.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings.</p>

3: NOTES TO THE FINANCIAL STATEMENTS

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

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

'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the portfolio under frequent review.'

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

At 31 March 2020 the net pension liability of £27,577k includes £73,832k in respect of the Council's share of assets held by the Cumbria LGPS. This includes £6,423k in respect of the Council's share of the scheme's direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2020 is subject to the same material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards), outlined above in connection with the valuation of the Authority's investment and operational properties (PPE) at 31 March 2020.

5. Impact of New Accounting Standards not yet Adopted

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

Narrow Scope Amendments to IFRS:

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

In December 2020 the CIPFA LASAAC Local Authority Accounting Code Board announced that planned implementation of IFRS 16 - Leases, into the Code of Practice

3: NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

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

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

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

Annual Improvements to IFRS Standards 2015-2017 Cycle

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

- (i) IFRS 3 Business Combinations, IFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation - Clarification of the scope of the Standard.
- (ii) IAS 12 Income Taxes - Income tax Consequences of Payments on Financial Instruments Classified as Equity
- (iii) IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalisation.

None of these changes are expected to have a material impact on the Council's single entity financial statements.

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

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that, when a party to a joint operation that is a business, obtains control of that joint operation, the transaction is a business

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combination achieved in stages. The acquirer therefore applies the requirements for a business combination achieved in stages including remeasuring its entire previously held interest in the assets and liabilities of the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

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

IFRS 11 Joint Arrangements

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

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

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

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

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

IAS 23 Borrowing Costs - Borrowing Costs Eligible for Capitalisation

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 clarify the accounting for defined benefit pension obligations when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that where an entity remeasures the net defined benefit liability or asset following a plan amendment, curtailment or settlement during the annual reporting period, an entity is required to:

- determine current service cost and net interest for the remainder of the reporting period using the same updated actuarial assumptions as those used for the remeasurement of the net defined benefit liability (asset), and

3: NOTES TO THE FINANCIAL STATEMENTS

- determine the net interest for the remainder of the reporting period on the basis of the remeasured net defined benefit liability (asset), reflecting the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

Amendments to References to the Conceptual Framework in IFRS Standards

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

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

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

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

- introduce the concept that important information should not be obscured, for example by including information that is immaterial or inappropriately aggregated
- increase the threshold to determine whether information is material from 'could influence' to 'could reasonably be expected to influence'; and

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- clarify that the users to which the definition refers are the primary users of a specific entity's general purpose accounts i.e. existing and potential investors, lenders and other creditors.

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

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

6. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council 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 Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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	2019/20		
	Net Expenditure Chargeable to the General Fund Balance (statutory basis) £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income & Expenditure Statement (accounting basis) £'000
Corporate Services	3,940	486	4,426
Customer & Community Services	755	832	1,587
Democracy	753	21	774
Housing and Environmental Health	1,056	(35)	1,021
Planning and Economic Development	151	208	359
Property and Estates	629	(118)	511
Refuse and Recycling	2,328	71	2,399
Revenues and Benefits	484	38	522
All Other	(252)	12	(240)
Net Cost of Services	9,844	1,515	11,359
Other Income and Expenditure	(8,754)	(5,193)	(13,947)
(Surplus) or Deficit on Provision of Services	1,090	(3,678)	(2,588)
Opening General Fund Balance	(15,532)		
(Surplus)/Deficit on General Fund in year	1,090		
Closing General Fund Balance at 31 March	(14,442)		

	2018/19 (Restated)		
	Net Expenditure Chargeable to the General Fund Balance (statutory basis) £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income & Expenditure Statement (accounting basis) £'000
Corporate Services	3,744	810	4,554
Customer & Community Services	(329)	831	502
Democracy	605	14	619
Housing and Environmental Health	1,037	248	1,285
Planning and Economic Development	(582)	(522)	(1,104)
Property and Estates	1,723	(388)	1,335
Refuse and Recycling	1,976	481	2,457
Revenues and Benefits	286	69	355
All Other	(113)	4	(109)
Net Cost of Services	8,347	1,547	9,894
Other Income and Expenditure	(9,980)	576	(9,404)
(Surplus) or Deficit on Provision of Services	(1,633)	2,123	490
Opening General Fund Balance	(13,899)		
(Surplus)/Deficit on General Fund in year	(1,633)		
Closing General Fund Balance at 31 March	(15,532)		

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6.1 Expenditure and Funding Analysis

Internal budget reports, analysing income and expenditure across the Council's directorates, services and departments, and used to inform decisions about resource allocation are prepared on a statutory basis (also referred to as the funding basis). These reports reflect 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 summary of the service areas aggregated within the individual line items of the segmental structure used in the Comprehensive Income and Expenditure Statement and Expenditure and Funding analysis is set out below:

Segment	Services
Corporate Services	Audit. Business Support. Director of Commercial and Corporate Resources. Financial Services. Human Resources. ICT Services. Legal Services. Procurement. Corporate Health and Safety. Communications. Head of Paid Service.
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Director of Customer and Community Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Economic Development. Strategic Planning.
Property and Estates	Property and Estates
Refuse and Recycling	Refuse and Recycling
Revenues and Benefits	Revenues and Benefits
All Other	Licensing. Nuclear.

(a) Adjustments between the Funding and Accounting Basis

A summary of the 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:

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2019/20	Statutory Accounting Adjustments			Reallocation Adjustments (Note 6.1e) £000	Total £000
	Adjustments for Capital Purposes (Note 6.1b) £000	Net Change for Pensions Adjustments (Note 6.1c) £000	Other Differences (Note 6.1d) £000		
Corporate Services	20	435	(4)	35	486
Customer and Community Services	722	107	3	0	832
Democracy	4	17	0	0	21
Housing and Environmental Health	(98)	59	4	0	(35)
Planning and Economic Development	144	63	1	0	208
Property and Estates	72	12	1	(203)	(118)
Refuse and Recycling	99	109	(12)	(125)	71
Revenues and Benefits	0	44	(6)	0	38
All Other	0	11	1	0	12
Net Cost of Services	963	857	(12)	(293)	1,515
Other income and expenditure from Expenditure and Funding Analysis	(5,965)	670	(191)	293	(5,193)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(5,002)	1,527	(203)	0	(3,678)

2018/19	Statutory Accounting Adjustments			Reallocation Adjustments (Note 6.1e) £000	Total £000
	Adjustments for Capital Purposes (Note 6.1b) £000	Net Change for Pensions Adjustments (Note 6.1c) £000	Other Differences (Note 6.1d) £000		
Corporate Services	658	342	14	(204)	810
Customer and Community Services	736	79	(16)	0	831
Democracy	0	10	4	0	14
Housing and Environmental Health	192	48	8	0	248
Planning and Economic Development	(570)	42	6	0	(522)
Property and Estates	143	5	1	(314)	(388)
Refuse and Recycling	277	84	17	(120)	481
Revenues and Benefits	31	33	5	0	69
All Other	(1)	4	1	0	4
Net Cost of Services	1,466	647	72	(638)	1,547
Other income and expenditure from the Expenditure and Funding Analysis	(290)	603	(375)	638	576
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	1,176	1,250	(303)	0	2,123

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

(c) 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.

(d) 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

3: NOTES TO THE FINANCIAL STATEMENTS

- (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 Council'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.

(e) Reallocation Adjustments

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

6.2 Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

	2018/19 £'000	2019/20 £'000
Expenditure		
Employee benefits expenses	10,781	11,814
Other services expenses	23,703	21,901
Depreciation, amortisation, revaluation and impairment	2,104	1,785
Interest payments & PFI contingent rents	1,010	851
Net interest on defined benefit pension liability	568	616
Precepts and levies	1,005	1,081
Impairment of financial assets (credit losses)	81	(64)
Loss on disposal of non-current assets	66	0
Total Expenditure	39,318	37,984
Income		
Fees, charges and other service income	(5,746)	(5,468)
Increase in fair value of investment properties	(356)	(326)
Gain on disposal of non-current assets	-	(366)
Interest and Investment income	(255)	(350)
Income and Expenditure relating to investment properties	(198)	(144)
Gain on derecognition of PFI (lease) liability	0	(1,094)
Income from council tax and non-domestic rates	(8,592)	(7,499)
Government grants and contributions	(23,681)	(25,325)
Total Income	(38,828)	(40,572)
Surplus or Deficit on the Provision of Services	490	(2,588)

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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:

	2018/19 £'000	2019/20 £'000
Car Parks	(438)	(388)
Waste Collection	(391)	(397)
Planning	(438)	(443)
Building Control	(188)	(150)
Licensing & Land Charges	(246)	(239)
Sale of Recyclables	(143)	(48)
Cemeteries & Crematorium	(976)	(1,060)
Recovery of overpaid Benefits	(577)	(311)
Recycling Credits	(649)	(701)
Tenanted Properties	(730)	(756)
Revenues Court Costs Recovered	(207)	(145)
Markets	(29)	(21)
Other	(735)	(809)
	(5,746)	(5,468)

7. Grant Income Recognised in the Cost of Services

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018-19 and 2019-20.

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

	2018/19 £'000	2019/20 £'000
Capital Grants received and applied in the current year:		
Better Care Fund – Disabled Facilities Grant	(789)	(491)
DCLG/MHCLG – Coastal Communities – Cumbria's Hidden Coast	0	(55)
Other Grants & Contributions	(163)	0
	(952)	(546)
Capital Grants received in current year but not applied		
Better Care Fund – Disabled Facilities Grant	0	(229)
Sellafield Limited – Connecting Cumbria's Hidden Coast Phase 1	(606)	(149)
Sellafield Limited – Pride of Place (capital)	(350)	0
Sellafield Limited – Beacon Virtual Museum Phase 1	(350)	0
Other Grants & Contributions	(5)	0
	(1,311)	(378)
Total	(2,263)	(924)

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

	2018/19 £'000	2019/20 £'000
DWP – Grant Received in relation to Rent Allowance	(14,237)	(13,083)
Sellafield Limited – Industrial Solutions Hub Project	0	(1,000)
Nuclear Decommissioning Authority – Responsible Authority Contribution	(280)	(420)
Sellafield Limited – Social Impact Fund – Leisure Contribution	(400)	(400)
DCLG – Future High Streets Fund	0	(300)
Electoral Commission – General & European Elections	0	(269)
DWP – Discretionary Housing Payments	(240)	(215)
Well North – University of Manchester – Well Whitehaven	(750)	(200)
DWP – Housing Benefit Administration	(203)	(189)
Nuclear Decommissioning Authority – CCF Team	(176)	(180)
Sellafield Limited - Pride of Place (Revenue)	(150)	0
Sellafield Limited - Tourism Sector Development	(399)	0
Sellafield Limited -Business Support Programme	(510)	0
Sellafield Limited - Social Impact Fund- Works and Skills Support	(234)	0
Cumbria County Council - Second Homes Income	(132)	0
DCLG – Towns Fund Millom	0	(140)
DCLG – Towns Fund Cleator Moor	0	(140)
Grant Received in relation to NNDR cost of Collection Allowance	(103)	(102)
Sellafield Limited – Social Impact Fund – General Contribution	(100)	(100)
Environment Agency – Seamill Lane	0	(100)
Other grants and contributions	(737)	(854)
	(18,650)	(17,692)

8. Other Operating Expenditure

Other Operating Income and Expenditure	2018/19 £'000	2019/20 £'000
Parish council precepts	1,005	1,081
Pension Administration Costs	35	54
(Gain) Loss on disposal of non-current assets	28	(366)
Payments to Housing Receipts Pool	0	2
Total	1,068	771

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9. Financing and Investment Income and Expenditure

	2018/19 £'000	2019/20 £'000
Interest Payable and similar charges	915	851
Net interest on the net defined benefit liability (asset)	568	616
Interest receivable and similar income	(255)	(350)
Income & expenditure relating to investment properties	(198)	(144)
Changes in fair values of investment properties	(356)	(326)
(Gains)/losses on disposal of investment properties	38	0
Impairment (credit) losses on trade receivables	81	(64)
PFI – contingent rents	95	0
Gain on derecognition of PFI (lease) liability	0	(1,093)
Total	888	(510)

Interest payable and similar charges comprise:

	2018/19 £'000	2019/20 £'000
Interest expense on financial liabilities (not measured at FVTPL)		
- Interest on Lender Option Borrower Option Loan	378	379
- PFI interest	417	347
- Finance Lease charges	120	125
	915	851

Interest receivable and similar income comprises:

	2018/19 £'000	2019/20 £'000
Net (gains)/losses on:		
- financial assets measured at fair value through profit or loss	(140)	(220)
- financial assets measured at amortised cost		
Interest revenue on financial assets measured at amortised cost	(115)	(130)
Interest revenue on financial assets measured at fair value through other comprehensive income and expenditure	0	0
	(255)	(350)

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10. Taxation and Non-specific Grant Income and Expenditure

	2018/19 £'000	2019/20 £'000
Council tax income	(5,182)	(5,404)
Non-domestic rates income and expenditure	(3,410)	(2,095)
Non-ringfenced government grants	(2,768)	(2,530)
Capital grants and contributions	0	(4,179)
Total	(11,360)	(14,208)

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

	2018/19 £'000	2019/20 £'000
Revenue Support Grant	(377)	(39)
PFI Grant	(837)	(837)
New Home Bonus Grant	(227)	(125)
Non-Domestic Rates Relief Grants	(1,105)	(1,377)
New Burdens Grant	(105)	(17)
COVID 19 Grant	0	(44)
Other Grants	(117)	(91)
Total	(2,768)	(2,530)

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

	2018/19 £'000	2019/20 £'000
Capital Grants received and applied in the current year:		
PFI termination cost grant	0	4,179
Capital Grants received in current year but not applied:	0	0
	0	4,179

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11. External Audit Costs

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

	2018/19 £'000	2019/20 £'000
Fees payable for the certification of grant claims and returns	12	33
Fees payable with regard to external audit services by the appointed auditor under the Code of Audit Practice prepared by the Comptroller and Auditor General	199	99
Total	211	132

12. Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2018/19 £'000	2019/20 £'000
Allowances	262	220
Expenses	6	8
Total	268	228

13. Officers' Remuneration

13.1 Employee remuneration (excluding senior employees)

The number of employees (excluding senior employees) whose remuneration, excluding pension contributions, was £50k or more, in bands of £5k was:

Remuneration band (£)	2018/19 No	2019/20 No
50,000 - 54,999	2	5
55,000 - 59,999	-	-
60,000 - 64,999	-	1
65,000 - 69,999	-	-
Total	2	6

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13.2 Senior Officers' Remuneration

The remuneration of the Council's senior employees was as follows:

Post Holder information	Note	Year	Salary, Fees & Allowances £	Compensation for Loss of Office £	Expenses £	Benefits in Kind £	Total Remuneration excluding Pension £	Pension Contributions £	Total Remuneration including Pension £
Chief Executive (formerly Managing Director)		2019/20	101,959	-	131	-	102,090	16,212	118,302
		2018/19	99,713	-	106	-	99,819	15,854	115,673
Director of Commercial and Corporate Resources	1	2019/20	-	-	-	-	-	-	-
		2018/19	21,729	30,000	448	-	52,177	-	52,177
Executive Director Operations	2	2019/20	84,069	64,541	1,110	-	149,720	12,969	162,690
		2018/19	83,481	-	-	-	83,481	13,273	96,754
Head of Governance and Commercial	3	2019/20	78,702	-	2,679	-	81,381	12,514	93,894
		2018/19	43,805	-	-	-	43,805	6,965	50,770
Head of Corporate Resources	4	2019/20	-	-	-	-	-	-	-
		2018/19	65,474	-	132	-	65,606	10,410	76,016
Chief Finance Officer (Director of Financial Resources)	5	2019/20	68,761	-	-	-	68,761	10,933	79,694
		2018/19	50,334	-	-	-	50,334	8,003	58,338
Total		2019/20	333,491	64,541	3,920	-	401,952	52,627	454,579
		2018/19	364,536	30,000	686	-	395,222	54,506	449,728

1. On 3 June 2018 the post of Director of Commercial and Corporate Resources was deleted and their responsibilities transferred to new or revised roles.
2. The post of Director of Commercial and Corporate Resources was renamed to Executive Director Operations and ceased on 31/3/20.
3. The post of Head of Governance is a new role, with the position being filled on 21 August 2018.
4. The Head of Corporate Resources was a role created on 1 June 2018 and ceased on 31 March 2019.
5. The Chief Finance Officer was appointed on 4 June 2018.

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14. Exit Packages

The number of exit packages with the total cost band total cost of compulsory redundancies and other departures is set out in the following table. There were no compulsory redundancies in 2018/19 or 2019/20.

Exit package cost band (including special payments)	Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
Up to £20,000	-	4	-	4	-	31,169
£20,001-£40,000	1	-	1	-	27,573	-
£40,001-£60,000	-	-	-	-	-	-
£60,001-£80,000	-	1	-	1	-	64,541
Total	1	5	1	5	27,573	95,710

15. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out in notes 16 and 17.

2019/20	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	(1,927)	-	-	1,927
Revaluation losses /(gains)	162	-	-	(162)
Movement in the fair value of investment properties	326	-	-	(326)
Amortisation of intangible assets	(20)	-	-	20
Capital Grants & contributions	4,723	-	-	(4,723)
Revenue expenditure funded from capital under statute	(680)	-	-	680
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(15)	-	-	15
Gain on derecognition of PFI (lease) liability	1,094	-	-	1,094
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	580	-	-	(580)
Capital expenditure financed from General Fund	-	-	-	-
	4,243	0	0	(4,243)

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2019/20	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	378	-	(378)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	93	(93)
	378	0	(285)	(93)
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	381	(381)	-	-
Capital receipts arising on repayment of grants	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	1,038	-	(1,038)
Capital receipt arising on repayment of long-term loan advances				
	381	657	0	(1,038)
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	-	-	-	-
Other movements	-	(1)	-	1
	0	(1)	0	1
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(3,387)	-	-	3,387
Employers pension contributions and direct payments to pensioners payable in the year	1,860	-	-	(1,860)
	(1,527)	0	0	1,527
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	191	-	-	(191)
	191	0	0	(191)
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	12	-	-	(12)
	12	0	0	(12)
Movement during the year	3,678	656	(285)	(4,049)

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2018/19	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	(1,874)	-	-	1,874
Revaluation losses /(gains)	(224)	-	-	224
Movement in the fair value of investment properties	357	-	-	(357)
Amortisation of intangible assets	(6)	-	-	6
Capital Grants & contributions	952	-	-	(952)
Revenue expenditure funded from capital under statute	(2,214)	-	-	2,214
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(66)	-	-	66
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	589	-	-	(589)
Capital expenditure financed from General Fund	-	-	-	-
	(2,486)	0	0	2,486
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,310	-	(1,310)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	85	(85)
	1,310	0	(1,225)	(85)
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	-	-	-	-
Capital receipts arising on repayment of grants	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	1,354	-	(1,354)
Capital receipt arising on repayment of long-term loan advances	-	-	-	-
	0	1,354	0	(1,354)
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	-	-	-	-
Other movements	-	(2)	-	2
	0	(2)	0	2

3: NOTES TO THE FINANCIAL STATEMENTS

2018/19 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(2,951)	-	-	2951
Employers pension contributions and direct payments to pensioners payable in the year	1,701	-	-	(1,701)
	(1,250)			1,250
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	375	-	-	(375)
	375	0	0	(375)
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	(72)	-	-	72
	(72)	0	0	72
Movement during the year	(2,123)	1,352	(1,225)	1,996

16. Usable Reserves

	At 31 March 2019 £'000	Net movement 2019/20 £000	At 31 March 2020 £'000	Note
General Reserves	(2,756)	632	(2,124)	16.1
Earmarked Reserves	(12,776)	458	(12,318)	16.2
Total General Fund Reserve	(15,532)	1,090	(14,442)	
Capital Receipts Reserve	(5,327)	656	(4,671)	16.3
Capital Grants Unapplied	(1,781)	(285)	(2,066)	16.4
Total Usable reserves	(22,640)	1,461	(21,179)	

16.1 General Fund Balance

The General Fund is the statutory fund into which all the receipts of an 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 might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

3: NOTES TO THE FINANCIAL STATEMENTS

	2018/19 £'000	2019/20 £'000
General Fund Balance at 31 March	(3,251)	(2,756)
Impact of adopting new accounting standards	0	0
General Fund Balance at 1 April	(3,251)	(2,756)
Increase/(decrease) in year	495	632
Balance at 31 March	(2,756)	(2,124)

16.2 Earmarked Reserves

The following table summarised the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019-20.

Earmarked Reserve	At 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	At 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	At 31 March 2020 £'000
Corporate							
Delivering Differently Fund (transformation fund)	(72)	78	-	6	-	-	6
Budget Carry Forwards	(1)	-	-	(1)	-	-	(1)
External Resources Shortfall	(3,963)	-	-	(3,963)	767	0	(3,196)
Commercial and Corporate Resources	0	0	0	0	0	0	0
Information Technology	(210)	-	-	(210)	210	-	0
Asset and Land Management	(97)	-	-	(97)	-	-	(97)
PFI Reserves	(2,394)	153	-	(2,241)	735	-	(1,506)
Coastal Management	(200)	-	-	(200)	-	-	(200)
Repair and Maintenance	(280)	-	(11)	(291)	50	(8)	(249)
Insurance	(70)	-	-	(70)	70	-	0-
Budget Carry Forwards	(302)	-	(222)	(524)	7	(163)	(680)
Customer and Community Services							
Revenues and Benefits	(150)	-	-	(150)	150	-	0-
Welfare Support	(126)	-	-	(126)	1	-	(125)
Housing	(233)	35	(63)	(261)	107	(107)	(261)
The Beacon	(80)	62	(37)	(55)	-	-	(55)
Refuse Collection and Recycling	(91)	83	(150)	(158)	50	-	(108)
Car Parks	(105)	-	(88)	(193)	-	(25)	(218)
Crematorium	(362)	-	(34)	(396)	70	(34)	(360)
Knotweed Treatment	(18)	-	-	(18)	-	-	(18)
Elections	(326)	-	(30)	(356)	156	(40)	(240)
Budget Carry Forwards	(407)	18	(38)	(427)	4	(167)	(590)
Parks & Open Spaces	-	-	(11)	(11)	11	-	0

3: NOTES TO THE FINANCIAL STATEMENTS

Earmarked Reserve	At 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	At 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	At 31 March 2020 £'000
Economic Growth							
Planning	(130)	-	(34)	(164)	48	(26)	(142)
Development and Building Control	(15)	-	-	(15)	-	-	(15)
Buildings	(17)	-	-	(17)	-	-	(17)
Coastal Park	(44)	40	-	(4)	-	-	(4)
Coastal Programme	-	-	-	-	-	(40)	(40)
Enabling Growth Strategy	(49)	-	-	(49)	-	-	(49)
Nuclear Activities	(866)	108	(96)	(854)	2	(119)	(971)
Localism Grants	(39)	14	-	(25)	14	-	(11)
Budget Carry Forwards	(1)	-	(3)	(4)	3	(4)	(5)
Business Development	-	-	(510)	(510)	10	-	(500)
Contribution Sports & Leisure Strategy	-	-	(25)	(25)	25	-	0
Digital Research Project	-	-	(25)	(25)	-	-	(25)
Tourism	-	-	(399)	(399)	50	-	(349)
Well Whitehaven	-	-	(709)	(709)	-	(90)	(799)
Work & Skills Programme	-	-	(234)	(234)	29	-	(205)
Industrial Solutions	-	-	-	-	-	(852)	(852)
Future High Streets	-	-	-	-	-	(156)	(156)
Millom Town Fund	-	-	-	-	-	(140)	(140)
Cleator Moor Town Fund	-	-	-	-	-	(140)	(140)
Total	(10,648)	591	(2,719)	(12,776)	2,569	(2,111)	(12,318)

16.3 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from use 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.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(6,679)	(5,327)
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	0	(381)
Transfer from Deferred Capital Receipts Reserve	(2)	(1)
Capital receipt arising on repayment of grant assistance & long- term loan advances	0	0
Total capital receipts received in the year	(6,681)	(5,709)
Receipts applied to finance capital expenditure during the year	1,354	1,038
Balance at 31 March	(5,327)	(4,671)

3: NOTES TO THE FINANCIAL STATEMENTS

16.4 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met any 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.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(556)	(1,781)
Capital Grants received in previous years and applied in current year	85	93
Capital Grants received in current year but not applied	(1,310)	(378)
Balance at 31 March	(1,781)	(2,066)

17. Unusable Reserves

	At 31 March 2019 (restated) £'000	Net movement 2019/20 £000	At 31 March 2020 £'000	Note
Revaluation Reserve	(12,249)	1,798	(10,451)	17.1
Deferred Capital Receipts Reserve	(150)	1	(149)	17.2
Capital Adjustment Account	(13,011)	(6,159)	(19,170)	17.3
Collection Fund Adjustment Account	232	(191)	41	17.4
Pensions Reserve	26,792	605	27,577	17.5
Accumulated Absences Account	168	(12)	156	17.6
Total Unusable Reserves	1,962	(3,958)	(1,996)	

17.1 Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of its 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
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

3: NOTES TO THE FINANCIAL STATEMENTS

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(12,047)	(12,249)
Revaluation of assets	(908)	1,013
Difference between fair value and historical cost depreciation	706	760
Accumulated gains on assets sold, transferred or scrapped	-	25
Balance at 31 March	(12,249)	(10,451)

17.2 Deferred Capital Receipts Reserve

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

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(152)	(150)
Amounts written off	-	-
Transferred to usable capital receipts	2	1
Balance at 31 March	(150)	(149)

17.3 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 enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before the 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

3: NOTES TO THE FINANCIAL STATEMENTS

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(13,352)	(13,011)
Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-	
Depreciation and impairment of non-current assets	1,874	1,927
Revaluation Losses on Property Plant & Equipment charged to the CIES	224	(162)
Amortisation of intangible assets	6	20
Revenue Expenditure Funded from Capital Under Statute	2,214	680
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	66	15
Gain on derecognition of PFI (lease) liability	0	(1,094)
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated gains on assets sold written out of the Revaluation Reserve	0	(25)
Difference between fair value depreciation and historical cost depreciation	(706)	(760)
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,354)	(1,038)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(952)	(4,723)
Application of grants to capital financing from the Capital Grants Unapplied Account	(85)	(93)
Statutory Minimum Revenue Provision for the financing of capital investment charged against the General Fund balance	(589)	(580)
Capital expenditure charged against the General Fund	-	
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(357)	(326)
Balance at 31 March	(13,011)	(19,170)

17.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	607	232
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	(375)	(191)
Balance at 31 March	232	41

3: NOTES TO THE FINANCIAL STATEMENTS

17.5 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	23,680	26,972
Re-measurements of the net defined benefit liability/asset	2,042	(922)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,951	3,387
Employer's pensions contributions and direct payments to pensioners payable in the year ¹	(1,701)	(1,860)
Balance at 31 March	26,972	27,577

¹ Employers pension contributions and direct payments to pensioners of £1,218,000 were paid in 2019-20 (2018-19: £1,073,000). A further £642k (2018-19: £628k) of deficit recovery contributions, paid in advance in 2017-18, were released from the Pensions Reserve and charged to the General Fund in 2019-20.

17.6 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 that the impact on the General Fund Balance be neutralised by transfers to or from the account.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	96	168
Settlement or reversal of accrual made at the end of the preceding year	(96)	(168)
Amounts accrued at the end of the current year	168	156
Balance at 31 March	168	156

3: NOTES TO THE FINANCIAL STATEMENTS

18. Property, Plant and Equipment (PPE)

Movements in 2019/20

	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Total £'000
Gross Cost or Valuation								
As at 1 April 2019	20,361	5,914	7,313	204	2,407	-	36,199	4,990
Additions	1,761	769	-	-	-	-	2,530	900-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,110)	-	-	-	(57)	-	(2,167)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	160	-	-	-	-	-	160	-
De-recognition - Disposals	-	(52)	-	-	-	-	(52)	-
De-recognition - Other	-	-	-	-	-	-	-	-
Reclassifications	(9)	-	-	-	111	-	102	-
Other movements in cost or valuation	-	-	-	-	-	-	-	(5,890)
At 31 March 2020	20,163	6,631	7,313	204	2,461	-	36,772	0
Accumulated Depreciation & Impairment								
As at 1 April 2019	-	(4,319)	(5,521)	-	-	-	(9,840)	0
Charged in year	(1,157)	(370)	(400)	-	-	-	(1,927)	(168)
Depreciation written out to the Revaluation Reserve	1,154	-	-	-	-	-	1,154	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2	-	-	-	-	-	2	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Other	-	52	-	-	-	-	52	168
Reclassifications	-	-	-	-	-	-	-	-
At 31 March 2020	(1)	(4,637)	(5,921)	-	-	-	(10,559)	0
Net Book Value								
As at 31 March 2020	20,162	1,994	1,392	204	2,461	-	26,213	0
As at 1 April 2019	20,361	1,595	1,792	204	2,407	-	26,359	4,990

3: NOTES TO THE FINANCIAL STATEMENTS

Movements in 2018/19

	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Total £'000
Cost or Valuation								
As at 1 April 2018	20,943	5,575	7,313	204	2,399	-	36,434	4,835
Additions	61	553	-	-	-	-	614	34
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(279)	-	-	-	2	-	(277)	121
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(336)	-	-	-	(20)	-	(356)	-
De-recognition - Disposals	(28)	(214)	-	-	-	-	(242)	-
De-recognition - Other	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	26	-	26	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2019	20,361	5,914	7,313	204	2,407	-	36,199	4,990
Accumulated Depreciation and Impairment								
As at 1 April 2018	-	(4,223)	(5,121)	-	-	-	(9,344)	-
Charged in year	1,165	310	400	-	-	-	(1,875)	(153)
Depreciation written out to the Revaluation Reserve	(1,034)	-	-	-	-	-	1,034	153
Depreciation written out to the Surplus/Deficit on the Provision of Services	131	-	-	-	-	-	131	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Disposal	-	214	-	-	-	-	214	-
Reclassifications	-	-	-	-	-	-	-	-
At 31 March 2019	-	(4,319)	(5,522)	-	-	-	(9,840)	0
Net Book Value								
As at 31 March 2019	20,361	1,595	1,792	204	2,407	-	26,359	4,990
As at 1 April 2018	20,943	1,352	2,192	204	2,399	-	27,090	4,835

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment assets required to be measured at current value are:

- re-valued 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.

3: NOTES TO THE FINANCIAL STATEMENTS

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 Montague Evans LLP in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards (the ‘Red Book’).

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

At 31 March 2020	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	-	6,631	7,313	204	-	-	14,148
Valued at current value at:							
31 March 2020	20,126	-	-	-	2,461	-	22,587
31 March 2019	37	-	-	-	-	-	37
31 March 2018	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-
31 March 2016	-	-	-	-	-	-	-
Total Cost or Valuation	20,163	6,631	7,313	204	2,461	0	36,772

At 31 March 2019	Other Land & Buildings £'000	Equipment & Vehicles £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	-	5,914	7,313	204	-	-	13,431
Valued at current value at:							
31 March 2019	20,352	-	-	-	2,407	-	22,759
31 March 2018	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-
31 March 2016	-	-	-	-	-	-	-
31 March 2015	9	-	-	-	-	-	9
Total Cost or Valuation	20,361	5,914	7,313	204	2,407	0	36,199

Fair value measurement of Surplus Assets - fair value hierarchy

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

3: NOTES TO THE FINANCIAL STATEMENTS

31 March 2020	Level 1	Level 2	Level 3	Fair value at 31 March 2020
£'000	£'000	£'000	£'000	£'000
Development Land	-	1,443	991	2,434
Car Park Land	-	27	0	27
At 31 March 2020	-	1,470	991	2,461

31 March 2019	Level 1	Level 2	Level 3	Fair value at 31 March 2019
£'000	£'000	£'000	£'000	£'000
Development Land	-	418	1,962	2,380
Car Park Land	-	27	0	27
At 31 March 2019	-	445	1,962	2,407

Valuation techniques used to determine Level 2 and 3 fair values for surplus assets

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 Surplus Properties

In estimating the fair value of the Council's surplus 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.

3: NOTES TO THE FINANCIAL STATEMENTS

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.

Surplus Assets Categorised Within Level 3

	2018/19 £000	2019/20 £000
Opening Balance	2,247	1,962
Transfers Into Level 3	-	-
Transfers out of Level 3	(293)	(940)
Total gains or losses resulting from changes in Fair Value	(18)	(31)
Transfers from Assets Held for Sale	26	0
Total	1,962	991

19. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

	Civic Regalia £'000	Paintings & Fine Art £'000	Museum Exhibits £'000	Total Assets £'000
Cost or valuation				
1 April 2019	208	849	663	1,720
Additions - purchased	0	0	0	0
Additions - donated	0	0	0	0
Revaluations increases /(decreases) recognised in the Revaluation Reserve	0	0	0	0
At 31 March 2020	208	849	663	1,720
Nature of holding				
Owned (Freehold)	208	849	663	1,720
Finance Lease	0	0	0	0
	208	849	663	1,720

3: NOTES TO THE FINANCIAL STATEMENTS

	Civic Regalia £'000	Paintings & Fine Art £'000	Museum Exhibits £'000	Total Assets £'000
Cost or valuation				
1 April 2018	208	780	581	1,569
Additions - purchased	0	0	0	0
Additions - donated	0	0	0	0
Revaluations increases /(decreases) recognised in the Revaluation Reserve	0	69	82	151
At 31 March 2019	208	849	663	1,720
Nature of holding				
Owned (Freehold)	208	849	663	1,720
Finance Lease	0	0	0	0
	208	849	663	1,720

19.1 Description of the Council's Collection of Heritage Assets

The Council's heritage assets consist of:

- civic regalia
- paintings and fine arts (the Copeland Collection)
- museum collections comprise fine and decorative arts, social history, archaeology, photographs, prints and natural science exhibits
- buildings and structures including historical sites, monuments and statues.

(i) Civic Regalia

Civic regalia, comprising mayoral chains, ceremonial mace and items of jewellery, is included in the Balance Sheet at an insurance valuation based on the estimated replacement cost of each item. Valuations were carried out by Michael King Ltd in February 2012.

(ii) Paintings and Fine Arts

The Copeland Collection consists of paintings and sculptures on display or stored in the Beacon Museum and other public buildings.

10 higher value items are included on the balance sheet at insurance valuation. This includes four paintings by Robert Salmon with a combined value of £325k. A further 61 lower value items, with a combined carrying value of £10k, are reported in the Balance Sheet at historic cost. 15 low value items for which historic cost information is not available are not recognised on the Balance Sheet.

The latest valuation of paintings and fine arts was carried out by external valuers Mitchells Antiques & Fine Arts Auctioneers & Valuers, in November 2017 and included in reported carrying amounts at 31 March 2019.

3: NOTES TO THE FINANCIAL STATEMENTS

(iii) Museum Collections

Museum Collection assets comprise of the following categories:

- Archaeology
- Geographical and Natural Sciences
- The Norman Roberts Collection
- Decorative Arts
- Historic Pictures
- Print Collection Fine Arts
- Maps
- Photographs
- Social History
- Other collections

Museum collections are reported in the balance sheet at insurance values based on open market replacement cost for items of a comparable nature, age and condition. Low value items, with an estimated value of less than £500, for which historic cost information is not available, are not recognised in the Balance Sheet.

The latest valuation of the Council's museum collections was carried out by external valuers Mitchells Antiques & Fine Arts Auctioneers & Valuers, in November 2017 and included in reported carrying amounts at 31 March 2019.

(iv) Buildings and other structures

As well as assets held and displayed in buildings, the Council also owns other heritage assets, which are in situ throughout Copeland. These comprise buildings and other structures for which there is no recorded historic cost.

In the absence of information relating to historic cost or value, these assets are not recognised in the balance sheet.

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20. Investment Property

The following table summarises the movements in the fair value of investment properties in the Balance Sheet over the year:

	2018/19 £'000	2019/20 £'000
At 1 April	4,444	4,762
Additions- acquisitions	0	0
Additions -subsequent expenditure	0	0
Disposals	(38)	0
Net gains/(losses) from fair value adjustments	356	326
Transfers: (to)/from Property, Plant and Equipment	0	(102)
Balance at end of the year	4,762	4,986

Nature of holding		
Owned (Freehold)	4,754	4,978
Leasehold	8	8
	4,762	4,986

Valuation process for Investment Properties

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

Investment properties were re-valued as at 31 March 2020 by external valuers Montague Evans LLP.

Fair value measurement of Investment property - fair value hierarchy

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

31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/20 £'000
Garage sites	-	212	2	214
Grazing plots	-	482	-	482
Industrial units,	-	2,501	-	2,501
Offices & other commercial premises	-	1,464	-	1,464
Other	-	325	-	325
At 31 March 2020	-	4,984	2	4,986

3: NOTES TO THE FINANCIAL STATEMENTS

31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/19 £'000
Garage sites	-	213	2	215
Grazing plots	-	482	-	482
Industrial units,	-	2,389	-	2,389
Offices & other commercial premises	-	1,502	-	1,502
Other	-	173	1	174
At 31 March 2019	-	4,759	3	4,762

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 Council'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.

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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.

	2018/19 £'000	2019/20 £'000
At 1 April	0	3
Transfers Into Level 3	3	0
Transfers out of Level 3	0	(1)
Total gains or losses resulting from changes in Fair Value	0	0
Carrying amount at 31 March	3	2

Rental income and operating expenses from Investment Property

The rental income and operating expenses from Investment Property, included in the Financing and Investment Income and Expenditure line item in the Comprehensive Income and Expenditure Statement, are summarised in the table below:

	2018/19 £'000	2019/20 £'000
Rental income from investment property	(336)	(244)
Direct operating expenses relating to investment property	138	100
Net (gain)/loss on Investment Properties in the Comprehensive Income & Expenditure Statement	(198)	(144)

21. Intangible Assets

The movement on Intangible Asset balances are shown below.

	2018/19 £'000	2019/20 £'000
Cost or Valuation		
At 1 April	1,698	1,796
Additions	98	69
At 31 March	1,796	1,865
Accumulated Amortisation and Impairment		
At 1 April	(1,691)	(1,697)
Charged in year	(6)	(20)
At 31 March	(1,697)	(1,717)
Net Book Value		
At 31 March 2020	99	148
At 1 April 2019	7	99

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22. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year (investment) is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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.

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	7,364	7,309
Capital Investment		
Property, Plant and Equipment	614	2,530
Revenue Expenditure Funded from Capital under Statute	2,214	680
Intangible Assets	98	69
Sources of Finance		
Capital receipts	(1,355)	(1,038)
Governments grants and other contributions	(952)	(4,723)
Application of Capital Grants Unapplied	(85)	(93)
Sums set aside from revenue	-	-
Minimum revenue provision	(589)	(580)
Gain on derecognition of PFI (lease) liability	0	(1,094)
Closing Capital Finance Requirement	7,309	3,060
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(55)	(4,249)
Total movement in year	(55)	(4,249)

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23. Investments

	31 March 2019 £'000	31 March 2020 £'000
Term deposits and notice accounts with UK Banks	15,155	15,283
Total	15,155	15,283

24. Debtors (Short-term & Long-term)

	31 March 2019		31 March 2020	
	Short-term £'000	Long-term £'000	Short-term £'000	Long-term £'000
Trade receivables	614	-	567	-
Council tax receivable	416	-	439	-
NNDR receivable	248	-	307	-
Housing benefit overpayments	929	-	827	-
Other taxation & social security	744	-	1,152	-
Rent receivable	214	-	90	-
Other receivables	3,353	10	4,692	9
Prepayments	437	-	414	-
Total	6,955	10	8,488	9
Allowance for credit losses:				
- Trade & Other receivables	(347)	-	(281)	-
- Council Tax	(157)	-	(169)	-
- NNDR	(68)	-	(76)	-
- Housing Benefit overpayments	(876)	-	(810)	-
	(1,448)	0	(1,336)	
	5,507	10	7,152	9

25. Non IFRS 9 Financial Assets that are either past due or impaired

An age analysis of non IFRS9 financial assets, comprising Council Tax, NNDR and Housing Benefit overpayments that are past due but not impaired is as follows:

	31 March 2020			
	Council Tax £'000	NNDR £'000	Housing benefit overpayment £'000	Total £'000
Past due status				
Past due less than 12 months	150	134	144	428
Past due more than 12 months	289	173	683	1,145
Total	439	307	827	1,573

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	31 March 2019			
	Council Tax £'000	NNDR £'000	Housing benefit overpayment £'000	Total £'000
Past due status				
Past due less than 12 months	151	110	225	486
Past due more than 12 months	265	138	704	1,107
Total	416	248	929	1,593

An analysis of non-financial assets determined to be impaired is as follows:

	31 March 2019			31 March 2020		
	Individual impairment £'000	Collective impairment £'000	Total £'000	Individual impairment £'000	Collective impairment £'000	Total £'000
Council tax	-	(157)	(157)	-	(169)	(169)
NNDR	-	(68)	(68)	-	(76)	(76)
HB overpayment	-	(876)	(876)	-	(810)	(810)
Total	-	(1,101)	(1,101)	-	(1,055)	(1,055)

26. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents consists of the following elements:

	31 March 2019 £'000	31 March 2020 £'000
Cash in hand	2	2
Bank current accounts	45	0
Money Market Funds	11,918	14,230
Total Cash and Cash Equivalents (balance sheet)	11,965	14,232
Bank Overdraft	0	(236)
Cash and Cash Equivalents (cash flow statement)	11,965	13,996

27. Short-term Creditors

	31 March 2019 £'000	31 March 2020 £'000
Trade payables	(1,096)	(1,204)
Other payables	(3,737)	(5,343)
Other taxation and social security	(160)	(174)
Accumulated absences	(168)	(156)
Finance lease liabilities	(234)	(346)
PFI deferred liability	(307)	0
Total	(5,702)	(7,223)

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28. Contract and Other Liabilities

	31 March 2019 £'000	31 March 2020 £'000
Deferred income (receipts in advance)	(168)	(156)
NNDR Received in Advance	(262)	(60)
Council Tax Received in Advance	(98)	(107)
Capital Grants Received in Advance	0	(1,327)
Revenue Grants received in advance	(614)	(1,550)
	(1,142)	(3,200)

29. External Borrowing

	31 March 2019 £'000	31 March 2020 £'000
Short-term Borrowing		
Lender Option Borrower Option Loan accrued interest	(60)	(59)
	(60)	(59)
Long-term Borrowing		
Lender Option Borrower Option Loan	(5,000)	(5,000)
Total	(5,060)	(5,059)

Analysis of loans by maturity:

Amounts repayable	31 March 2019 £'000	31 March 2020 £'000
Within 1 year	(60)	(59)
Between 1 & 2 years	0	0
Between 2 & 5 years	0	0
Between 5 & 10 years	0	0
After more than 10 years	(5,000)	(5,000)
	(5,060)	(5,059)

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30. Provisions

	NNDR Appeals £'000	Other £'000	Total £'000
At 1 April 2019	(1,465)	(91)	(1,556)
New provisions made in 2019/20	(719)	0	(719)
Provisions utilised in 2019/20	58	0	58
Unused amounts reversed in year	0	0	0
At 31 March 2020	(2,126)	(91)	(2,217)
Disclosed as:			
At 31 March 2020			
Current component	(2,126)	(91)	(2,217)
Long-term component	0	0	0
	(2,126)	(91)	(2,217)
At 31 March 2019			
Current component	(1,465)	(91)	(1,556)
Long-term component	0	0	0
	(1,465)	(91)	(1,556)

(a) NNDR Appeals

Following introduction of the business rates retention scheme on 1 April 2013, the Council 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 £2,126k represents the Council's share (40%) of the total provision of £5,315k at 31 March 2020 in respect of the potential refund of business rates income for years up to and including 2019-20. The total provision at 31 March 2020 includes £2,010k in respect of potential obligations that may arise from successful appeals, made after the balance sheet date, against the 2017 valuation list.

The total cost of appeals settled during 2019-20 was £145k. The Authority's share of this cost was £58k (40%). This was charged against the provision brought forward at 1 April 2019.

(b) Other Provisions

Other provisions comprise amounts set aside to meet insurance excesses and the repayment of capital grants.

31. Pensions

31.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Cumbria Local Government Pension Scheme (LGPS). 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 Council 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 included:

- 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

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- 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 Schemes assets are invested, the fund managers and benchmarks, and the Scheme's compliance with best practice in investment decision-making (Myners Principles) and the Financial Reporting Council's UK Stewardship Code

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- Cash Investment Policy, governing the 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.

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>

31.2 Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the net cost of services when earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Movement in Reserves Statement.

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

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	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	1,903	2,322	0	0
▪ past service costs (gains)	387	289	0	0
▪ (gain)/loss from curtailments	58	106	0	0
Pension administration expenses	35	54	0	0
Financing and Investment Income & Expenditure			0	0
▪ net interest expense	535	586	33	30
Total post-employment benefits charged to the surplus or deficit on the provision of services	2,918	3,357	33	30
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit obligation comprising:				
▪ return on plan assets (excluding amount included in the net interest expense) & other (gains)/losses	(2,892)	3,727	0	0
▪ experience (gains)/loss on liabilities	0	1,069	0	(170)
▪ actuarial (gains) and losses arising on changes in financial assumptions	4,891	(1,627)	43	(13)
▪ actuarial (gains) and losses arising on changes in demographic assumptions	0	(3,873)	0	(35)
	1,999	(704)	43	(218)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	4,917	2,653	76	(188)

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'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	(2,918)	(3,357)	(33)	(30)
Actual amount charged against the General Fund Balance for pensions in the year:				
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	1,603	1,764	98	96

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31.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans is as follows:

	31 March 2019 £'000	31 March 2020 £'000
Present value of the defined benefit obligation - Funded Liabilities	(102,435)	(100,396)
Present value of the defined benefit obligation - Unfunded Liabilities	(1,297)	(1,013)
Fair value of plan assets	77,402	73,832
	(26,330)	(27,577)
Asset Ceiling adjustment (Remeasurement)	-	-
Net liability arising from the defined benefit obligation	(26,330)	(27,577)

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

	Funded Liabilities		Unfunded Liabilities	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	74,329	77,402	0	0
Interest income	1,910	1,838	0	0
Remeasurement gain/(loss):			0	0
▪ return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	2,892	(3,727)	0	0
Employer contributions	975	1,122	98	96
Contributions by scheme participants	375	442	0	0
Benefits/transfers paid	(3,044)	(3,191)	(98)	(96)
Administration expenses	(35)	(54)	0	0
Closing balance of scheme assets at 31 March	77,402	73,832	0	0

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

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening balance at 1 April	(95,420)	(102,435)	(1,319)	(1,297)
Current Service Cost	(1,903)	(2,322)	0	0
Interest Cost	(2,445)	(2,424)	(33)	(30)
Contributions by scheme participants	(375)	(442)		
Remeasurement gains and losses:	0	0	0	0
▪ experience gains/(losses)	0	(1,069)	0	170
▪ actuarial gains and (losses) arising on changes in financial assumptions	(4,891)	1,627	(43)	13
▪ actuarial gains and (losses) arising on changes in demographic assumptions	0	3,873	0	35
Past Service Costs	(387)	(289)	0	0
(Gains)/losses on Curtailments	(58)	(106)	0	0
Benefits Paid	3,044	3,191	98	96
Closing balance at 31 March	(102,435)	(100,396)	(1,297)	(1,013)

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

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

At 31 March 2019 the impact of the McCloud judgement on scheme liabilities was assessed based on calculations carried out on individual member data supplied for the 2016 round of actuarial valuations and an estimate of the additional liabilities arising from the judgement included in the IAS 19 post-employment benefit (LGPS) liabilities at that date. In 2018-19, additional past service costs of £387k were included in respect of liabilities arising from the McCloud judgement. The allowance

3: NOTES TO THE FINANCIAL STATEMENTS

for McCloud included in the Council's IAS 19 post-employment benefit (LGPS) liabilities at 31 March 2019 is substantially in line with the remedy proposed by MHCLG. At 31 March 2020 no further adjustments are required in relation to the McCloud judgement.

31.6 Composition of Local Government pension scheme assets

Asset Category	31 March 2019 £'000	31 March 2020 £'000
Equities		
UK quoted	7,275	7,383
Global quoted	16,719	14,766
UK equity pooled	774	0
Overseas equity pooled	10,914	5,168
Equity Protection	1,006	0
	36,688	27,317
Bonds		
UK corporate bonds	4,721	0
Overseas corporate bonds	155	0
UK government indexed pooled	13,855	16,981
	18,731	16,981
Property		
UK	4,877	4,356
Property funds	2,322	2,067
	7,199	6,423
Alternatives		
Private equity funds	2,245	2,732
Infrastructure funds	6,037	5,464
Real estate debt funds	387	295
Private Debt Fund	1,857	2,363
Healthcare Royalties	465	517
Multi asset credit	-	8,860
	10,991	20,231
Cash		
Cash accounts	3,715	2,806
Net current assets	78	74
	3,793	28,80
Total	77,402	73,832

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31.7 Actuarial Assumptions used to determine the Present Value of the Scheme Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2019 (2018-19: 31 March 2016).

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

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

31.8 Sensitivity Analysis

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

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	Sensitivity analysis				
	Liabilities	Assets	(Deficit)/ Surplus	Projected Service cost for next year	Projected Net Interest cost for next year
	£'000	£'000	£'000	£'000	£'000
At 31.3.20	(101,409)	73,832	(27,577)	2,138	643
+0.1% p.a. discount rate	(99,774)	73,832	(25,942)	2,076	629
+0.1% p.a. inflation	(103,070)	73,382	(29,238)	2,202	684
+0.1 p.a. pay growth	(101,580)	73,382	(27,748)	2,138	648
1 year increase in life expectancy	(104,172)	73,382	(30,340)	2,201	711
+1% change in 2019-20 investment returns	(101,409)	74,568	(26,841)	2,138	626
-1% change in 2019-20 investment returns	(101,409)	73,906	(28,313)	2,138	661

	Sensitivity analysis				
	Liabilities	Assets	(Deficit)/ Surplus	Projected Service cost for next year	Projected Net Interest cost for next year
	£'000	£'000	£'000	£'000	£'000
At 31.3.19	(103,732)	76,760	(26,972)	2,138	628
+0.1% p.a. discount rate	(102,044)	76,760	(25,284)	2,080	611
+0.1% p.a. inflation	(105,448)	76,760	(28,688)	2,198	670
+0.1 p.a. pay growth	(103,904)	76,760	(27,144)	2,138	633
1 year increase in life expectancy	(105,789)	76,760	(29,029)	2,180	678

31.9 Risks and Investment strategy

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

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

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

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and other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

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

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

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

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

Market Risk

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

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

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

Interest Rate Risk

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

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Currency risk

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

Credit/Counterparty risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Scheme monitors its exposure to credit and counterparty risk through review of the Scheme's external investment managers annual internal control reports.

Liquidity risks

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

Other risks

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

In addition, there is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

31.10 Impact on the Council's Cash Flows

Projected employer contributions which the Council expects to pay in 2020-21 is £1,554,000 (2019-20: £1,551,000). This comprises normal contributions of £1,223,000 (2019-20: £858,000), deficit funding contributions of £235k (2019-20: £0) and a recharge of unfunded benefits of £96,000 (2019-20: £98,000).

Employer contributions made by the Council in 2017-18 included deficit funding contributions of £1,884,000. Following the 2016 actuarial valuation exercise, the Council opted to prepay its deficit funding contributions for the three-year period 2017-18 to 2019-20. The amount of deficit funding payment chargeable to the Council's general fund in 2019-20 is £615,900 (2018-19: £627,900).

The weighted average duration of the Council's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 16 years (2018-19: 16 years).

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32. Other Long-term liabilities

	31 March 2019 £'000	31 March 2020 £'000
Finance lease liabilities	(834)	(1,153)
PFI deferred liability	(4,373)	0
Total	(5,207)	(1,153)

33. Service Concession Arrangements

Copeland Centre PFI Scheme

On 30 May 2003 the Council entered into a PFI building agreement with Equitix (Copeland) Limited (previously London & Regional (Copeland) Limited for the provision of a new council centre, (the Copeland Centre) and associated services in Whitehaven.

The contract specified minimum levels of services to be provided during the contract period including the provision of:

- maintenance – planned preventative, lifecycle replacement and reactive
- security
- waste disposal
- health, safety and fire protection
- cleaning, both internal and external.

The building was to be available to the Council between 7.15am and 6.45pm during the normal working week plus additional hours within limits.

The 25-year contract for the provision of services commenced on 17 September 2004.

At the end of the 25-year period, the Council had the choice of:

- purchasing the facilities by paying the provider an amount equal to the market value of the residual head lease interest (being 125 years)
- retendering for the provision of services
- pursuing neither option.

Following approval by MHCLG for the Council to negotiate a settlement with Equitix (Copeland) Limited, the Council exercised its option under the terms of the PFI agreement to voluntarily terminate the contract on 31 March 2020. In 2019-20 the Council incurred net termination costs of £4,179k. These costs were fully funded by a grant from central government.

On termination the Council acquired the residual head lease in the property and discharged in full all outstanding (lease) liabilities in respect of the property.

Movement in PFI liabilities

The value of liabilities resulting from service concession arrangements at each balance sheet date, and an analysis of the movement in those values is shown in the following table:

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	2018/19 £'000	2019/20 £'000
At 1 April	4,994	4,680
Finance Lease Liability Redemption Payments During Year	(314)	(307)
Settlement payment allocated to redemption of Liability	-	(3,279)
Balance of PFI derecognised on termination of contract		(1,094)
At 31 March	4,680	0
Short Term	307	0
Long Term	4,373	0
Total	4,680	0

The value of assets held under service concession arrangements at each balance sheet date, and an analysis of the movement in those values is set out in note 18.

Payments due under PFI schemes – 31 March 2019

At 31 March 2019 the Council was committed to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability £'000	Interest £'000	Service charges £'000	Lifecycle replacement cost £'000	Contingent rents £'000	Total £'000
Due within one year	307	392	644	208	440	1,991
Due within 2-5 years	1,328	1,297	2,742	1,151	1,953	8,471
Due within 6-10 years	2,684	876	3,832	1,113	3,334	11,839
Due within 11-15 years	361	30	383	-	409	1,183
Total	4,680	2,595	7,601	2,472	6,136	23,484

34. Leases

34.1 Council as Lessee

Finance Leases

The Council has acquired refuse vehicles, other commercial vehicles and specialised items of plant under finance leases.

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

	31 March 2019 £'000	31 March 2020 £'000
Vehicles, Plant, Furniture & Equipment	1,114	1,552
Total	1,114	1,552

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and the finance costs that will be payable by the Council in future years

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while the liability remains outstanding. The minimum lease payments consist of the following amounts.

	31 March 2019 £'000	31 March 2020 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	234	346
Non-current	834	1,153
	1,068	1,499
Finance costs payable in future years	240	337
Minimum lease payments	1,308	1,836

The minimum lease payments will be made over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Not later than 1 year	335	476	234	346
Later than 1 year and not later than five years	971	1,188	832	994
Later than 5 years	2	172	2	160
Total	1,308	1,836	1,068	1,499

Contingent rents recognised as an expense during the year was £0 (2018/19: £0)

34.2 Council as Lessor

Operating Leases

The Council 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:

	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	356	331
Later than one year and not later than five years	1,205	1,222
Later than five years	2,112	1,882
Total	3,673	3,435

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents receivable by the Council relating to these leases in 2019-20 was £58k (2018-19 £44k).

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35. Financial Instruments

35.1 Categories of Financial Instruments

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 5 provide a description of each category of financial assets and financial liabilities and the related accounting policies.

Financial Assets

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2020					
Long-term debtors	24	9	0	0	9
Short-term investments	23	15,283	0	0	15,283
Short-term debtors	24	1,405	0	5,747	7,152
Cash & cash equivalents	26	2	14,230	0	14,232
Total for category		16,699	14,230	5,747	36,676

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2019					
Long-term debtors	24	10	0	0	10
Short-term investments	23	15,155	0	0	15,155
Short-term debtors	24	764	0	4,743	5,507
Cash & cash equivalents	26	47	11,918	0	11,965
Total for category		15,976	11,918	4,743	32,637

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 lease liabilities £000	Other non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2020					
Bank overdraft	26	(236)		0	(236)
Short-term creditors	27	(1,382)	(346)	(5,495)	(7,223)
Short-term borrowing	29	(59)		0	(59)
Long-term borrowing	29	(5,000)		0	(5,000)
Other Long-term liabilities	32	0	(1,153)	0	(1,153)
Total for category		(6,677)	(1,499)	(5,495)	(13,671)

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	Note	Measured at amortised cost £'000	Non IFRS 9 lease liabilities £000	Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2019					
Bank overdraft	26	0		0	0
Short-term creditors	27	(1,444)	(541)	(3,717)	(5,702)
Short-term borrowing	29	(60)		0	(60)
Long-term borrowing	29	(5,000)		0	(5,000)
Other Long-term liabilities	32	0	(5,207)	0	(5,207)
Total for category		(6,504)	(5,748)	(3,717)	(15,969)

Information about the fair value at each class of financial instruments is given in notes 35.5 and 35.6.

35.2 Material Soft Loans made by the Council

The Council does not have any material soft loans.

35.3 Reclassification of financial assets

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

35.4 Defaults and breaches

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table shows the levels within the fair value hierarchy of financial assets measured at fair value on a recurring basis:

Financial assets carried at fair value	Note	Level	31.3.19 £'000	31.3.20 £'000
Money Market Funds (AAAmf rated)	26	1	11,918	14,230

Money Market Funds - level 1

The Council'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.

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 valuation financial instruments.

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35.6 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 and Other receivables, cash and cash equivalents, trade and other 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 March 2020 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
LOBO Loans	(5,059)	0	0	(9,117)	(9,117)
Finance Lease obligations	(1,499)	0	0	(1,499)	(1,499)
PFI obligations	0	0	0	0	0
At 31 March 2020	(6,558)	0	0	(10,616)	(10,616)

	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31 March 2019 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
LOBO Loans	(5,060)	0	0	(9,627)	(9,627)
Finance Lease obligations	(1,068)	0	0	(1,066)	(1,066)
PFI obligations	(4,680)	0	0	(6,629)	(6,629)
At 31 March 2019	(10,808)	0	0	(17,322)	(17,322)

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.

LOBO Debt, PFI and Finance lease liabilities

The fair values of LOBO loans, PFI and lease liabilities are 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, PFI contract or lease agreement. 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. Where

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appropriate these rates are adjusted to reflect market participant's assumptions of the Council'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 LOBO debt assumes 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.

36. Cash Flows from Operating Activities

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

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

	2018/19 £'000	2019/20 £'000
Depreciation	1,875	1,927
Impairments and downward revaluations	225	(162)
Amortisations	6	20
Increase/(decrease) in interest creditors	(1)	(1)
Increase/(decrease) in creditors	203	494
Increase in Interest and dividend debtors	(88)	(128)
(Increase)/decrease in debtors	(78)	(1,755)
(Increase)/decrease in inventories	(27)	(14)
Contributions to/from provisions	(905)	661
Movement in pension liability	1,878	2,169
Carrying amount of non-current assets sold	66	15
Movement in fair value of Investment Property	(356)	(326)
Other non-cash items	40	(1,094)
	2,838	1,806

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

	2018/19 £'000	2019/20 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	(381)
Capital grants	(2,262)	(4,179)
	(2,262)	(4,560)

36.2 Cash Flows from Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2018/19 £'000	2019/20 £'000
Interest received	167	222
Interest paid	(916)	(852)

37. Cash Flows from Investing Activities

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(177)	(1,896)
Purchase of short term and long-term investments	0	0
Other capital cash receipts	2	1
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	381
Proceeds from short term and long-term investments	5,000	0
Other receipts from investment activities	2,262	5,066
Net cash flows from investing activities	7,087	3,552

38. Cash Flows from Financing Activities

	2018/19 £'000	2019/20 £'000
Payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(586)	(3,858)
Council Tax and NNDR adjustments	(715)	969
Agency balances - Accountable Body grants	0	1,534
Net cash flows from financing activities	(1,301)	(1,355)

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39. Reconciliation of Liabilities arising from Financing Activities

	1 April 2019 £'000	Financing cash flows £'000	Acquisition £'000	Other ¹ £'000	31 March 2020 £'000
Long-term borrowings	5,000	0	0	0	5,000
Short term borrowings	60	0	0	(1)	59
Finance lease liabilities	1,068	(272)	703	0	1,499
PFI finance lease	4,680	(3,586)	0	(1,094)	0
	10,808	(4,794)	703	(1,095)	6,558
Billing Authorities - Council Tax and NNDR adjustments ²	1,070	969	0	0	2,039
Accountable Body grants	0	1,534	0	0	1,534
Total liabilities from financing activities	11,878	(1,355)	703	(1,095)	10,131

	1 April 2018 £'000	Financing cash flows £'000	Acquisition £'000	Other ¹ £'000	31 March 2019 £'000
Long-term borrowings	5,000	0	0	0	5,000
Short term borrowings	61	0	0	(1)	60
Finance lease liabilities	805	(272)	535	0	1,068
PFI finance lease	4,994	(314)	0	0	4,680
	10,860	(586)	535	(1)	10,808
Billing Authorities - Council Tax and NNDR adjustments ²	1,785	(715)	0	0	1,070
Total liabilities from financing activities	12,645	1,301	535	(1)	11,878

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

²Billing Authorities - Council Tax and NNDR adjustments comprise the difference between:

- major preceptors' share of the 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 for Council Tax income.
- Central Government and the major preceptors' share of the 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.

40. Nature and Extent of Risks Arising from Financial Instruments

40.1 Risk management objectives and policies

The Council is exposed to various (financial) risks in relation to financial instruments. The key risks are:

- **Credit risk** - the risk that a party to a financial instrument will cause a financial loss for the Council by failing to discharge an obligation
- **Liquidity risk** - the risk that the Council 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.

Overall Procedures for Managing Risk

The Council's risk management arrangements are underpinned by the requirements of the statutory framework laid out in the Local Government Act 2003 and associated regulations, statutory guidance and codes of practice. This requires the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Statutory Investment Guidance issued Ministry of Housing, Communities & Local Government (MHCLG).

The Council has formally 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. These have been prepared in accordance with CIPFA Code of Practice for Treasury Management in Public Services and MHCLG's Investment Guidance.

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The Council'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.

Regular reports on the Council's treasury management policies, practices and activities are prepared for consideration by members. This includes consideration by Full Council of the Council's Annual Treasury Management Strategy Statement 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 Council's Treasury Management Policy Statement and TMPs.

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

40.2 Credit risk

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 Council'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
- 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 alongside ratings outlooks, credit watches and watchlists. 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, for which there is no upper limit, the maximum amount that may be placed with any institution or group of institutions that are part of the same banking group is £5m. The upper limit for Money Market Funds is £10m.

A limit of £20m applies to investments with a maturity of 365 days or more.

The Council'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"

3: NOTES TO THE FINANCIAL STATEMENTS

investments as defined in MHCLGs Investment Guidance to distinguish those instruments offering relatively high security and high liquidity from those with higher credit risk. A limit of 50% of the whole portfolio is applied to the use of non-specified investments.

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

40.3 Impairment of financial assets

The Council 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 Council 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, adjusted for factors that are specific to individual debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

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

	2018/19 £'000	2019/20 £'000
Opening loss allowance as at 1 April (IFRS 9)	(278)	(347)
Loss allowance recognised during the year	(81)	0
Receivables written off during the year	12	2
Loss allowance unused and reversed during the year	-	64
Loss allowance as at 31 March	(347)	(281)

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

All short-term investments (including those classified as cash and cash equivalents) with banks and other financial institutions, are considered to have low credit risk given their high external credit ratings and the strong capacity of the investment counterparties to meet their contractual cash flow obligations. As such, the Council 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 Council 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 Short-term investments and measured at amortised cost comprise:

	Credit Rating			Total £'000
	A+ £'000	A £'000	A- £'000	
At 31 March 2020				
Royal Bank of Scotland	-	10,171	-	10,171
Lloyds	5,112	-	-	5,112
Total – short-term investments	5,112	10,171	-	15,283
National Westminster Bank		0	-	0
	5,112	10,171		15,283
At 31 March 2019				
Royal Bank of Scotland	-	-	10,088	10,088
Lloyds	5,067	-	-	5,066
Total – short-term investments	5,067	0	10,088	15,155
National Westminster Bank			45	45
Total	5,067	0	10,133	15,200

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/BBB at

3: NOTES TO THE FINANCIAL STATEMENTS

between 0.05% and 0.15% (2018-19: 0.05% to 0.15%). The 12-month expected credit loss on these assets at 31 March 2020 and 31 March 2019 is therefore not material.

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

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

At 31 March 2020, the gross carrying amount of long-term debtors measured at amortised cost is £9k (31 March 2019: £10k). The 12-month expected credit loss on these assets at 31 March 2020 and 31 March 2019 is therefore not material.

40.4 Liquidity risk

The Council'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 Council 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 Council 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.

3: NOTES TO THE FINANCIAL STATEMENTS

40.5 Contractual maturity analysis – non-derivative financial liabilities

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

At 31 March 2020	LOBO Loans £'000	Finance Leases £'000	PFI £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:						
Under 12 months	(378)	(476)	0	(236)	(1,382)	(2,472)
12 months and within 24 months	(378)	(473)	0	0	0	(851)
24 months and within 5 years	(1,133)	(715)	0	0	0	(1,848)
5 years and within 10 years	(1,889)	(172)	0	0	0	(2,061)
10 years and within 20 years	(3,777)	0	0	0	0	(3,777)
20 years and within 30 years	(5,756)	0	0	0	0	(5,756)
30 years and within 40 years	0	0	0	0	0	0
	(13,311)	(1,836)	0	(236)	(1,382)	(16,765)
Effect of discounting	8,311	337	0	0	0	8,648
Interest accrual	(59)	0	0	0	0	(59)
Balance sheet carrying amount at 31 March 2020	(5,059)	(1,499)	0	(236)	(1,382)	(8,176)

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. For LOBO loans the contractual maturity analysis reflects the remaining contractual term of the loan.

At 31 March 2019	LOBO Loans £'000	Finance Leases £'000	PFI £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:						
Under 12 months	(378)	(335)	(699)	0	(1,444)	(2,856)
12 months and within 24 months	(378)	(332)	(696)	0	0	(1,406)
24 months and within 5 years	(1,133)	(639)	(1,929)	0	0	(3,701)
5 years and within 10 years	(1,889)	(2)	(3,560)	0	0	(5,451)
10 years and within 20 years	(3,777)	0	(391)	0	0	(4,168)
20 years and within 30 years	(6,134)	0	0	0	0	(6,134)
30 years and within 40 years	0	0	0	0	0	0
	(13,689)	(1,308)	(7,275)	0	(1,444)	(23,716)
Effect of discounting	8,689	240	2,595	0	0	11,524
Interest accrual	(60)	0	0	0	0	(60)
Balance sheet carrying amount at 31 March 2019	(5,060)	(1,068)	(4,680)	0	(1,444)	(12,252)

3: NOTES TO THE FINANCIAL STATEMENTS

40.6 Interest rate risk

The Council is exposed to interest rate movements 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 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 Council's policy objective is to manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing interest revenues, in manner consistent with meeting the Council's primary policy objective of the security of principal sums invested whilst ensuring appropriate levels of liquidity are maintained.

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

At 31 March 2020 the Council's borrowing comprised a Lender Option Borrower Option (LOBO) loan of £5,000k- excluding accrued interest (31 March 2019: £5,000k). The interest rate on this loan is fixed at 7.55% payable semi-annually. Early repayment of the loan is not permitted. However, the lender has the option on the semi-annual interest repayment dates to alter the interest rate (by giving three business days notice). Where this option is exercised by the lender, the Council has the option to repay, without penalty, the principal (and all accrued interest) on the date the interest is altered, subject to serving notice to the lender.

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 Council'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.

3: NOTES TO THE FINANCIAL STATEMENTS

Impact on:	1% decrease in interest rates		1% increase in interest rates	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
(Surplus) or Deficit on the Provision of Services	202	152	(269)	(291)
Other Comprehensive Income and Expenditure	0	0	0	0

Price risk

The Council does not invest in equity shares or marketable securities and therefore is not exposed to losses arising from the movements in the market prices of such traded financial instruments.

41. Related Party Transactions

The Council 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 Council include elected members, chief officers and entities controlled or significantly influenced by the Council. It also includes the UK Government which exerts significant influence through legislation and grant funding. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. A number of these transactions have already been disclosed within the financial statements and supporting notes as follows:

- a) Transactions and balances with Central Government, NHS bodies and other local authorities (including parish councils) are disclosed within the Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement
- b) Transactions and balances with the County Council, Central Government and Police and Crime Commissioner - in respect of council tax and NNDR - are disclosed in the Collection Fund Account and supporting notes
- c) Transactions and balances with the Pension Fund are summarised in note 31
- d) Remuneration of key management personnel is disclosed in note 12 Members' Allowances and note 13 Officers' Remuneration.

42. Contingent Assets and Liabilities

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.

3: NOTES TO THE FINANCIAL STATEMENTS

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 Council has made levy payments of £123,453 against claim payments of £543,812. At 31 March 2020, 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 the levy rate is increased, the maximum additional levy payable by the Council is £370,359 (31.3.19: £370,359).

43. Events after the Balance Sheet Date

The Statement of Accounts was certified by the Chief Finance Officer of Cumberland Council, (as successor to Copeland Borough Council) and authorised for issue on 28 April 2025.

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

Local Government reorganisation

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.

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).

On the reorganisation date (1 April 2023) Copeland 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.

4: COLLECTION FUND

Collection Fund

Income and Expenditure Account 2019/20

	2019/20			2018/19		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
INCOME						
Council Tax Receivable	(39,892)	-	(39,892)	(37,727)	-	(37,727)
Non-Domestic Rates Receivable	-	(41,582)	(41,582)	-	(42,142)	(42,142)
Contribution to previous year's deficit						
Central Government	-	(218)	(218)	-	-	-
Cumbria County Council	-	(44)	(44)	-	-	-
Copeland Borough Council	-	(176)	(176)	-	-	-
Total Income	(39,892)	(42,018)	(81,910)	(37,727)	(42,142)	(79,869)
EXPENDITURE						
Council Tax Precepts and demands						
Cumbria County Council	28,478	-	28,478	27,340	-	27,340
Police and Crime Commissioner	5,277	-	5,277	4,776	-	4,776
Copeland Borough Council	5,321	-	5,321	5,157	-	5,157
Distribution of previous year's surplus						
Cumbria County Council	329	-	329	741	-	741
Police & Crime Commissioner for Cumbria	58	-	58	127	-	127
Copeland Borough Council	63	-	63	141	-	141
Shares of Non-Domestic Rates paid to:						
Central Government	-	17,740	17,740	-	17,484	17,484
Cumbria County Council	-	3,548	3,548	-	3,497	3,497
Copeland Borough Council	-	14,192	14,192	-	13,987	13,987
Distribution of previous year's surplus						
Central Government	-	-	-	-	1,484	1,484
Cumbria County Council	-	-	-	-	297	297
Copeland Borough Council	-	-	-	-	1,187	1,187
Cost of Collection	-	103	103	-	103	103
Disregarded Amounts	-	52	52	-	0	0
Transitional Protection Payments	-	4,288	4,288	-	5,336	5,336
Impairment of debts/appeals						
Movement in allowance for impairments	216	30	246	279	33	312
Write offs of uncollectable amounts	-	-	-	-	-	-
Movement the provision for appeals	-	1,652	1,652	-	(2,187)	(2,187)
Total Expenditure	39,742	41,605	81,347	38,561	41,221	79,782
(Surplus) / Deficit for the year	(150)	(413)	(563)	834	(921)	(87)
(Surplus) / Deficit at 1 April	(177)	628	451	(1,011)	1,549	538
(Surplus) / Deficit at 31 March	(327)	215	(112)	(177)	628	451

Notes to the 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 - Copeland 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 and Crime Commissioner for Cumbria and Copeland Borough Council for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base for 2019-20 was 20,557.70 (20,523.35 for 2018-19), 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% (2018-19: 98%).

4: COLLECTION FUND

The tax base was calculated as follows:

Band	Proportion	2019/20		2018/19	
		Number of Properties	Band D Equivalent Dwellings	Number of Properties	Band D Equivalent Dwellings
A Disabled	5/9	81.25	45.14	85.50	47.50
A	6/9	16,740.55	11,160.37	16,833.50	11,222.33
B	7/9	4,248.15	3,304.12	4,254.00	3,308.98
C	8/9	3,816.95	3,392.84	3,804.55	3,381.82
D	9/9	3,014.30	3,014.30	2,981.10	2,981.10
E	11/9	1,759.15	2,150.07	1,749.35	2,138.09
F	13/9	419.85	606.45	415.10	599.59
G	15/9	80.55	134.25	80.65	134.42
H	18/9	6.50	13.00	6.50	13.00
Total			23,820.54		23,826.83
Allowance for discounts			2,843.29		2,884.64
Total Equivalent Chargeable Dwellings			20,977.25		20,942.19
Tax Base at 98% Collection Rate			20,557.70		20,523.35

The basic amount of Council Tax for a Band D property of £1,848.23 (£1,767.19 for 2018/19) is multiplied by the proportion specified for the particular band to give an individual amount due.

3. National Non-Domestic Rates (NNDR)

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

The national multipliers for 2019-20 were 49.1p (2018-19: 48.0p) for qualifying Small Businesses, and 50.4p for all other businesses (2018-19: 49.3p).

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

For 2019-20, the total non-domestic rateable value at the year-end was £84.141m (2018-19: £84.371m).

Accounting policies applied to the single entity (authority only) 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 payable on borrowings and receivable on investments is accounted for respectively as expenditure and income 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 highly liquid investments that mature in less than 3 months from the date of acquisition and that are readily converted to known amounts of cash with insignificant risk of change of value. In the Cash Flow Statement, cash and equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council'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 policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of

5: ACCOUNTING POLICIES

the transactions, or other events and conditions on the Council's financial position or financial performance.

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

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

4. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts 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 the losses can be written off; and
- 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 Council 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 (NNDR) on behalf of the major preceptors (including the Government for NNDR) and, as principals, collecting council tax and NNDR 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 NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and the Government share proportionately the risks and the rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

5: ACCOUNTING POLICIES

Accounting for Council Tax and NDR

Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. The difference between the income included in the CIES 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 Council's share of the end of year balances in respect of Council Tax and NNDR 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 due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (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 salary rate 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 Council makes a cash settlement.

Termination Benefits

Termination benefits are amounts payable as a result of either:

- (i) the Council'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 Council can no longer withdraw the offer of those benefits or when the Council 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 Council

5: ACCOUNTING POLICIES

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

The majority of employees of the Council are members of the Local Government Pensions Scheme administered (prior to local government reorganisation) by Cumbria County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council. The scheme is accounted for as a defined benefit scheme.

The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on 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 Council are included in the Balance Sheet at their fair value:

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

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

(i) Service cost comprising:

- 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 Council 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 Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. The net interest expense is calculated by multiplying the net defined benefit liability (asset) at the beginning of the reporting period, by the discount rate used to measure the defined

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benefit obligation determined at the start of the reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Interest cost on the current service cost is included in the current service cost component.

(ii) Remeasurements comprising:

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, and
- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)

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

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

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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means transfers to and from the Pensions Reserve are required to remove the amounts charged or credited to the Surplus or Deficit on the Provision of Services under the Code and replace them with a charge equal to the cash paid to the pension fund and pensioners during the year and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of retirement benefits payments and contributions payable to the Cumbria Local Government Pension Scheme for the reporting period in accordance with the statutory requirements governing the scheme, rather than as benefits earned by employees.

Discretionary Benefits

The Council 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 and the date when the Statement of Accounts is authorised for issue.

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Two types of events can be identified:

- 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; and
- 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 Council becomes a party to the contractual provisions of the financial instrument.

A financial asset (or where applicable part of a financial asset) is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. A financial liability is also derecognised where a liability with an existing lender is exchanged for another with substantially different terms or the terms of an existing liability are substantially modified.

Financial assets and financial liabilities are initially measured at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and transaction costs expensed. Immaterial transaction costs on initial recognition are written off immediately to Surplus or Deficit on the Provision of services. Trade receivables that do not contain a significant financing component and are initially measured at their transaction price (as defined in IFRS 15).

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement financial assets are classified on initial recognition into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Classification is determined by (i) the business model for managing the financial asset and (ii) the assets contractual cash flow characteristics.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

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Financial assets measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest (EIR) method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. The amortised cost is reduced by impairment losses.

Interest income calculated using the effective interest method, impairment losses and any gain or loss arising on derecognition or modification are included in the Financing and Investment Income and Expenditure (FIIE) line in the Comprehensive Income and Expenditure Statement (CIES).

For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

Financial assets at amortised cost include trade receivables, call and notice accounts and other non-current financial assets.

Modification of the terms of a financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows 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

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Expenditure (FIIIE) 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.

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 (FIIIE) line in the CIES).

This category includes equity investments which the Council 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.

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Impairment of financial assets (expected credit loss model)

The Council recognises an allowance for expected credit 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 Council applies a simplified approach and always recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, impairments are recognised in three stages to reflect changes in credit risk since initial recognition:

- Stage 1 (Performing) - financial assets that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk at the reporting date
- Stage 2 (Underperforming) - financial assets that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of a credit loss event
- Stage 3 (Non-performing/credit impaired) - financial assets that have objective evidence of impairment at the reporting date.

For financial instruments at stage 1, the loss allowance is measured at an amount equal to the 12-month expected credit losses and interest income calculated on the gross carrying amount of the asset (i.e. without reduction for expected credit losses).

For financial instruments at stages 2 and 3, the loss allowance is measured at an amount equal to life-time expected credit losses. For financial instruments at stage 2, interest income is calculated on the assets gross carrying amount. For those at stage 3, interest income is calculated on the assets net carrying amount (i.e. reduced for expected credit losses).

12-month ECLs are the portion of the lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Council is exposed to credit risk.

For debt instruments considered to have a low credit risk at the reporting date, the Council measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Council 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.

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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 Council 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 Council 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 Council assumes there has been a significant increase in credit risk when contractual payments are more than 30 days past due, unless the Council has reasonable and supportable information that demonstrates otherwise.

The Council 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 Council has reasonable and supportable information that demonstrates otherwise)
- internal or external information indicates that the Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Council.

Credit-impaired financial assets

At each reporting date, the Council 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 Council on terms that the Council would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the Balance Sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Surplus or Deficit on the Provision of Services and is recognised in Other Comprehensive Income and Expenditure. The loss allowance does not reduce the carrying amount of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off (in full or in part) when there is no reasonable expectation of recovering the contractual cash flows e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets written off may still be subject to recovery activities. Any

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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 Council expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Debtors in respect of local taxation and other non-contractual debts are excluded from the scope of IFRS 9. The write-off of uncollectable debts and allowance for impairment of doubtful debts for such items follow the incurred loss model for impairment.

Under the Incurred Loss Model, individually significant local taxation and other non-contractual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually significant or which are not considered to be individually impaired are reviewed collectively for impairment in groups, determined by reference to shared credit risk characteristics.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made:

- the carrying amount of the financial asset is reduced by the impairment loss (measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate) and a charge made to the Comprehensive Income and Expenditure Statement
- interest income over the remaining term of the instrument is recognised by applying the original effective interest rate to the revised balance.

An allowance account is used to reduce the carrying amount of non-contractual receivables considered to be impaired (or in the case of a reversal of a write-down, an increase). Non-contractual receivables considered uncollectible are written off against the allowance account. Any difference between the amount written off and the impairment loss previously included in the allowance account is recognised in the Comprehensive Income and Expenditure Statement.

Subsequent reversals of a write-down or recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Comprehensive Income and Expenditure Statement.

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Financial Liabilities

Classification and measurement

The Council'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 Council's borrowing this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement, the amount payable for the year according to the loan agreement.

On derecognition of a financial liability the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in Surplus or Deficit on the Provision of Services.

Modifications or exchanges of financial liabilities that do not result in derecognition

Where the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not 'substantial', the loan debt or financial liability is not accounted for as an extinguishment. If an exchange or modification does not result in an extinguishment:

- the difference between the carrying amount of the liability before the modification or exchange and the present value of the cash flows after modification (discounted at the original EIR) is recognised in the Comprehensive Income and Expenditure Statement as a gain/loss on modification
- any costs or fees paid or received adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The terms of a loan exchange between an existing borrower and lender or the modification of the terms of a financial liability are 'substantially different' or 'substantially modified' if the present value of the net cash flows under the new terms, including any fees paid net of any fees received, (discounted using the effective interest rate of the existing or unmodified loan debt) is at least 10% different from the discounted present value of the remaining cash flows under the original loan debt or original terms of the financial 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.

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Financial guarantee contract liabilities

Financial guarantee contract liabilities are recognised as a liability at the time the guarantee is issued. The liability is measured initially at fair value and subsequently, at the higher of:

- the amount of the impairment loss allowance determined in accordance with IFRS 9 *Financial Instruments*, and
- the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with the revenue recognition principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

For a financial guarantee contract the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Council 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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-ring-fenced 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

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is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to finance capital expenditure.

Where the Council is acting as an agent of a grant paying body, related transactions are not reflected in the Council's financial statements, with the exception of cash collected or expenditure incurred by the Council on behalf of the grant paying body (principal), in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash Flow Statement

10. Heritage Assets

Tangible and Intangible 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 Council 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.

The Council's heritage assets consist of:

- civic regalia
- paintings and fine arts (the Copeland Collection)
- museum collections comprise fine and decorative arts, social history, archaeology, photographs, prints and natural science exhibits
- buildings and structures.

Measurement

Heritage assets are recognised on the Council'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 Council's Balance Sheet are measured using the following bases:

- civic regalia - insurance value reflecting current replacement cost
- paintings and fine arts (the Copeland Collection) - 10 higher value items are included on the balance sheet at insurance valuation with a further 61 lower value items are reported in the Balance Sheet at historic cost. 15 low value

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items for which historic cost information is not available are not recognised on the Balance Sheet.

- museum collections - insurance values based on open market replacement cost for items of a comparable nature, age and condition; low value items, with an estimated value of less than £500 are not recognised in the Balance Sheet
- intangible heritage assets - historical cost (less any accumulated depreciation, amortisation and impairment losses).

Information on cost or value is not available for heritage buildings or structures.

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 Council'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 Council's tangible heritage assets have indefinite lives and therefore the Council 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 Council'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 16- 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 Council 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 from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council 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 Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) 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(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

12. Inventories and Long-term Contracts

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) or weighted average costing formula.

13. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. The fair value of investment property held under a lease is the lease interest. As non-financial assets, investment properties are measured at highest and best use.

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Investment properties are not depreciated but are valued 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.

14. 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 the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building 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 the fulfilment of the arrangement is dependent on the use of specific assets.

The Council 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 measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the 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 Council 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

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amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Council is however required to make an annual contribution, from revenue, towards to meet the deemed capital cost of expenditure funded by credit arrangements such as on-balance sheet leasing arrangements. This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges 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 rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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 Council'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.

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When the future rentals are received, the element for the capital receipt for the disposal of the asset, is used to write down the lease debtor and a corresponding transfer made to transfer the deferred capital receipt to the Capital Receipts Reserve.

The carrying amount of an asset (or component of an asset), written off to the Comprehensive Income and Expenditure Statement on disposal, is not a proper charge to the General Fund as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

The costs of overheads and support services are charged to Corporate Services.

16. 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 which 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 it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. 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(s) and restoring the site on which it is or they are located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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The cost of an asset 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 Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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 a Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are subsequently carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Non-property assets that have short useful lives or low values (or both) are measured on a depreciated historical cost basis as a proxy for current value.

Assets measured at current value are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from their current value at the balance sheet date, but as a minimum every five years. Increases in valuations, other than those that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Revaluation gains that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are credited to the Surplus or Deficit on the Provision of Services to the extent required to reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only - the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified on an asset carried at a revalued amount, the impairment loss is recognised in the Revaluation Reserve, up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement. An impairment loss on an asset with a carrying value based on historical cost is recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss, previously recognised in Surplus or Deficit on the Provision of Services, is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount required to reinstate the assets carrying amount (net of depreciation) had no impairment loss been recognised in prior years. Any increase in the assets carrying value above this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Asset class	Depreciation method	Useful life
Operational Buildings	straight-line	20-60 years
Infrastructure Assets	straight-line	10-75 years
Operational Vehicles & plant	straight-line	3-25 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.

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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.

17. Disposals 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 classed 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 value of the asset (or component) in the Balance Sheet (whether Property, Plant and Equipment or Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where it is not practicable to determine the carrying of a replaced or restored component of an asset, the Council 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 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). 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, pay the poolable amount of any housing receipts or set aside to reduce the Council'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

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Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the Property Plant and Equipment needed to provide the service passes to the PFI contractor. As the Council is deemed

- to control the services provided under its PFI scheme and,
- through an option to purchase (at market value) to controls a significant residual interest in the Property Plant and Equipment at the end of the contract,

the Council carries the assets used under the contracts on its balance sheet as part of property, plant and equipment.

The original recognition of the assets at fair value, based on the cost of construction, was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts paid to the PFI operator each year were analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability (based on the interest rate implicit in the contract) - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator. The profile of write-downs is calculated using the same principles as for a finance lease
- lifecycle replacement costs – either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or, if required, a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition, then they are treated as revenue.

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Council 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 Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of 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 Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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.

19. Reserves

The Council sets aside specific amounts as reserves for future policy purposes 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, local taxation, retirement benefits and employee benefits. These reserves do not represent usable resources for the Council.

20. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 Council 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.

21. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

22. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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:

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

The 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.

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

For the purpose of fair value disclosures, the Council 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 Council 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.

Annual Governance Statement 2019/20

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

Vision for Copeland

Prior to its dissolution, the 2016 - 2020 Corporate Strategy set out the Council's ambition to make Copeland 'A Better Place to Live, Work and Visit'. A new 2020-2024 Corporate Strategy was also approved in December 2019 setting out future priorities. The Corporate Strategy set out the intended outcomes for citizens and service users and was used as a basis for setting the medium-term financial strategy.

The Copeland Growth Strategy was in place to encourage investment and development in Copeland.

Scope of Responsibility

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, properly accounted for and used economically, efficiently and effectively.

The Council had a set best value 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. In discharging this responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which included arrangements for the management of risk.

What is Corporate Governance?

Corporate Governance generally refers to the process by which organisations are directed, controlled, led and held to account.

The Council's governance framework aimed to ensure that in conducting business it:

- Operated in a lawful, open, inclusive and honest manner.
- Ensured that public money was safeguarded, properly accounted for and used economically, efficiently and effectively.
- Had effective arrangements for the management of risk.
- Secured continuous improvements in the manner in which it operated.

These aims were inherent to the principles upon which the Local Code is based.

The purpose of the Governance Framework

The Governance Framework comprises the culture, values, systems and processes by which the Council was directed and controlled. The Local Code forms a key part of the Framework, which brings together an underlying set of legislative requirements, good practice principles and management processes that support and give practical application of the principles contained in the Code.

Adhering to this Framework enabled the Council to monitor the success of its strategic objectives and to consider whether these objectives led to the delivery of appropriate/cost effective services. Both risk management and internal control measures were a significant part of the Council's corporate governance framework and were designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve the goals set by the policies, aims and strategic objectives and therefore only provided reasonable, rather than absolute assurances of their effectiveness.

The systems of risk management and internal control were based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

Review of Effectiveness

Copeland Borough Council had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness was informed by the work of the Leadership Management Team within the Authority who had responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and comments made by external auditors and other review agencies and inspectorates.

The work of the above committees and individuals has been used in compiling this Annual Governance Statement and arriving at an assessment of the internal control arrangements in place within the Council. Listed below are additional processes that were used to maintain and review the effectiveness of the governance framework.

- The Council's internal management process, and reporting mechanisms, such as Performance and Risk Management, Customer Feedback, Health and Safety, Policy Development and Review.
- An assessment of the Council's Partnership Working Framework.

Principles of Good Governance

The Council approved and adopted a Local Code of Corporate Governance ("the Code"), which was consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'.

The Council also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explained how the Council complied with the Code and application note and also how it met the requirements of regulation 6 (1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

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Copeland Borough Council's Governance Framework

Copeland Borough Council's Code of Corporate Governance was based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).

Full Council

The Full Council was responsible within the scope of its responsibilities under law, for ensuring that the Authority's business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council documented the financial, legal, and operational implications of the decisions made. Reports were reviewed to ensure there were no governance issues identified or, where such an issue was identified, to ensure that it was appropriately addressed.

Council's Executive

The Council's Executive, comprising the Elected Mayor and four portfolio holders, was responsible, within the scope of its responsibilities under the law, for ensuring that the Council's business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to the Executive documented the financial, legal, governance, policy and equality implications of the decisions to be made. Reports were reviewed to ensure there were no governance issues identified or, where such an issue was identified, to ensure that it was appropriately addressed.

Head of Paid Service

The Head of Paid Service was responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing Act 1989. This responsibility was held by the Chief Executive.

Section 151 Officer

The Section 151 Officer had statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. This responsibility was held by the Director of Financial Resources.

Monitoring Officer

The Monitoring Officer had a responsibility to ensure compliance with relevant laws, regulations and policies and procedures and that expenditure was lawful. The Monitoring Officer also had responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and /or to the Executive as set out in Section 5 (2) of the Local Government and Housing Act 1989.

During the period of the Annual Governance Statement this responsibility was held by the Director of Corporate Services and Commercial Strategy.

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Corporate Leadership Team

The Corporate Leadership Team (CLT) acted as the organisation's overall 'management board', providing strategic direction to enable the business of the Authority to be undertaken. CLT provided ultimate assurance to the executive and non-executive Members in relation to the governance arrangements in place.

Audit Committee

The Audit Committee improved corporate governance by reviewing the stewardship of the Authority's resources. The Audit Committee enhanced the profile of audit throughout the Authority and enabled it to be strong and effective. The findings of the annual governance review were reported to the Audit Committee, and they monitored the progress of the resulting action plan.

Overview and Scrutiny Committee

The aim of the Overview and Scrutiny Committee was to improve services by scrutinising decisions made by the Executive and making appropriate recommendations. This was done by investigating issues of interest and concern to communities, involving communities in its work and making recommendations to decision makers on how services could be improved.

Internal Audit

Internal Audit played a key role in the assessment of the control environment within the Council. Although part of the Council's overall framework, Internal Audit is not a substitute for effective internal control.

The Head of Audit left their post during 2019/20 and responsibility for the Internal Audit Service during was transferred to the Director of Financial Resources. A subsequent External Quality Assessment carried out in September 2021 flagged this as a potential conflict of interests that impeded the independence of the Internal Audit function (see Head of Internal Audit opinion).

External Audit

Officers met regularly with the External Audit team from Grant Thornton, who also attended the Audit Committee. Action plans were formulated to address any formal recommendations raised by them. The views of the external auditors were expressed through their annual audit letter.

The Local Code of Corporate Governance

The Local Code of Corporate Governance demonstrated Copeland Borough Council's commitment to the highest standards of corporate governance. The Local Code set out its governance arrangements in relation to the seven best practice principles in the CIPFA/IFAC "International Framework: Good Governance in the Public Sector", and, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) "Delivering Good Governance in Local Government Framework 2016".

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In

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addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law. Copeland Borough Council's governance framework demonstrated this through:

- The Constitution (regularly reviewed and updated).
- Officer Code of Conduct.
- Unacceptable Behaviour Policy.
- Member Code of Conduct.
- Values considered with developing Corporate Strategy and Service Plans.
- Decision making process for Committees, Members and Officers.
- Committee forward plans, agendas, reports (which include legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests).
- Standards and Ethics Committee.
- Designated Monitoring Officer.
- Use of Independent Persons.
- Financial Regulations.
- Procurement and Contract Management Strategy.
- Corporate and HR Policies.
- Customer relationships and investigating complaints.
- Gifts and hospitality register.
- Equality & Diversity Scheme.
- Confidential Reporting (Whistleblowing) Policy.
- Anti-Fraud and Corruption Policy.
- National Fraud Initiative.
- Anti-Money Laundering Policy.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Local government has responsibility for the public good at its core, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Copeland Borough Council's governance framework demonstrated this through:

- Elected Mayor's Public Meetings and online podcasts.
- Engagement with Trade Unions.
- Overview & Scrutiny Committee Meeting Minutes, Task Groups and Work Plan.
- Public Engagement / Consultation.
- Website publication of information and documents.
- Corporate Plan.
- Joint Strategic Needs Assessment.
- Public and officer consultations.
- Employee Surveys.
- Member Communications / Briefings.
- Staff "Copeland Chat".

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- Annual Budget public consultation.
- Corporate Communications Strategy.
- Publishing of agenda and minutes.
- Committee Forward Plans.

Communication

Copeland Borough Council was dedicated to ensuring transparency through adherence to the Local Government Transparency Code 2015. The Council aimed to ensure that residents, partners and stakeholders were involved in the design and delivery of its services. All decisions and reports are publicly available unless justifiable reasoning is provided to maintain confidentiality.

The Council was committed to keeping its communities engaged and informed through a variety of methods and platforms including consultations, websites, social media pages and newsletters, alongside staff and elected representative engagement. It also utilised local media outlets including press, TV and radio to engage the general public and consults a wide array of community groups, partners and stakeholders.

The Communications team supported departments to keep communities informed of any changes and improvements to its services and plays a key role in disseminating Government information.

The Council built on the increased engagement through its digital channels to showcase council services and promote information of public interest.

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

The long-term nature and impact of many local government responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes and remain within the limits of authority and resources. Input from all groups of stakeholders, including residents, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Copeland Borough Council's governance framework demonstrated this through:

- Corporate Strategy.
- Copeland Growth Strategy.
- Service Plans.
- Public consultation during annual budget process.
- Medium Term Financial Strategy (MTFS).
- External Audit Review.
- Audit Committee.
- Risk Management strategy.
- Performance and KPI reporting.
- Key national data e.g. the Census and Indices of Deprivation.
- Joint Strategic Needs Assessment.
- Employee surveys.
- Consideration of Climate and Environmental Impact in decision making.
- Adherence to government protocols and guidance relating to Covid 19.

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

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Copeland Borough Council's governance framework demonstrated this through:

- Audit Committee.
- Financial Monitoring Reporting.
- Financial Planning.
- MTFS aligning resources to corporate priorities.
- Service Review Process.
- Monitoring Process.
- Quarterly Budget Monitoring.
- Performance Management and KPI delivery reporting.
- Internal Audits.
- Risk Management Strategy.
- Strategic and operational risk registers.
- Project Management Framework.

Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

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Copeland Borough Council's governance framework demonstrated this through:

- Corporate Performance Management Framework.
- Regular meetings between Executive and Corporate Leadership Team.
- Leadership Management Group.
- Heads of Service Group.
- Compliance with CIPFA guidance on the “the role of the chief finance officer” and “the role of the head of internal audit”.
- Outside Bodies agenda.
- Performance Reports.
- Standards and Ethics Committee.
- Employees' / Members' Code of Conduct.
- Member Development Programme.
- Portfolio Holder Meetings.
- Overview & Scrutiny Committee Work Plan and Meetings.
- “Aim High” Framework - Individual Appraisals.
- Workforce Strategy.
- New employee induction programme.
- Member Development Programme.
- Job Descriptions and Person Specifications for all employees.
- Succession planning.
- Public and officer consultations.
- Employee surveys.
- Mandatory training e.g. GDPR.
- Corporate and HR policies and procedures, including those to support health and wellbeing.

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

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered, and addressed, as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny be in place as a key part of accountable decision-making, policymaking and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Copeland Borough Council's governance framework demonstrated this through:

- Risk Management Framework.
- Strategic and Operational Risk Management Registers.
- Risks jointly owned by Members and officers.

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- Corporate Project Management Framework.
- Corporate Complaints Policy.
- Overview and Scrutiny Committee.
- Internal Audit Function operating to Public Sector Internal Audit Standards.
- Risk-Based Annual Audit Plan and Key Assurance Work.
- Internal Audit Manager's Annual Report to Audit Committee.
- Anti-Fraud and Corruption Policy.
- Compliance with Code of Practice on Managing the Risk of Fraud and Corruption.
- Annual Governance Statement.
- Audit Committee with Independent Chair.
- Information Governance Policy.
- Medium Term Financial Strategy, aligning resources to corporate priorities.
- Financial Monitoring Reports.
- Financial Regulations and Contract Standing Orders.
- Procurement and Contract Management Strategy.
- Strategic Asset Management Plan.
- Treasury Management Strategy.

Performance and Risk Management

The Executive assessed progress against the Corporate Strategy through quarterly monitoring of a Corporate Strategy Delivery Plan (CSDP) and a suite of Key Performance Indicators (KPIs); this included both service and project KPIs to ensure they were delivered in accordance with defined outcomes and that they represented the best use of resources and value for money. The report to the Executive summarised performance against the Corporate Strategy Delivery Plan and provided context and remedial actions where CSDP Key Deliverables or KPIs had not been fully achieved.

Risk Management was undertaken at operational and strategic level and was also a key element of managing our projects and partnerships. CLT took an active part in ensuring that strategic risks were identified and managed taking into consideration the Council's priorities. All strategic risks were managed at corporate level and were jointly owned by the relevant member of CLT and Executive. All risks were reviewed on a quarterly basis at CLT meetings and by the risk owners to ensure that they were being managed effectively, with progress reported to the Audit Committee.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned with not only reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Copeland Borough Council's governance framework demonstrated this through:

- Forward Plans, agendas and key decisions and minutes for all Committee meetings available publicly on the Council's website.
- Work plan and meetings of the Overview & Scrutiny Committee.
- Audit Committee.

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- Annual Financial Statements.
- External Audit Reports: Audit Findings Report, Annual Audit Letter and Certification Report.
- External Reviews, e.g. IPCO Audit etc.
- Annual Governance Statement.
- Internal Audit Function operating to Public Sector Internal Audit Standards.
- Risk-Based Annual Audit Plan and Key Assurance Work.
- Internal Audit recommendation implementation reported to Audit Committee.
- Information Management Strategy.
- Confidential Reporting (Whistleblowing) Policy.

Governance issues

Head of Internal Audit Annual Report & Opinion

One of the key assurance statements the Council received was the annual report and opinion of the Head of Internal Audit. The opinion for 2019-20 was presented to Copeland's Audit Committee in November 2020.

The acting Chief Audit Executive (also the Council's S151 Officer) reported they were satisfied that sufficient Internal Audit work has been undertaken to allow them to give an opinion on the adequacy and effectiveness of risk management, governance and internal control.

In their opinion, based on the work of Internal Audit over the year, Copeland Borough Council's overall framework of governance, risk and internal control provides reasonable assurance and audit testing has confirmed that controls are generally working effectively in practice.

Statement of Conformance with Public Sector Internal Audit Standards (PSIAS)

An External Quality Assessment (EQA) in September 2021 concluded that Internal Audit only partially conformed with the PSIAS (Public Sector Internal Audit Standards), with the arrangement that the Section 151 Officer was the acting Head of Internal Audit for 2019/20 cited as an impediment on the independence of the internal audit function. Therefore, limited assurances can be obtained from the provided opinion.

An action plan to address the weaknesses in Internal Audit was progressed by a new Head of Internal Audit appointed in April 2022, who provided regular updates to the Audit Committee on progress. The arrangements in place for Internal Audit were further considered by External Audit as part of their value for money opinion for 2019/20, with outstanding actions recorded in Appendix A.

External Audit reports

Section 24 reports

As well as responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, the External Auditors Grant Thornton have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. They concluded that it was appropriate to use their

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powers to make written recommendations under section 24 of the Act, due to inadequate arrangements and capacity at the Council to prepare reliable financial statements by the statutory deadline and concerns regarding the Council's timely implementation of actions to address internal control weakness.

Two Section 24 reports were received by the Council, the first in February 2021 and the second in March 2022. The full reports are available on the Council's website. The recommendations from these reports are relevant to 2019/20 and are summarised below:

February 2021

1. The Council should put in place robust arrangements for the production of the 2018/19, 2019/20 and 2020/21 financial statements, which meet statutory requirements and international financial reporting standards.
2. Implement outstanding audit recommendations and Annual Governance Statement governance related weaknesses and actions, especially those related to ICT and business continuity, and regularly update management and members with progress and implementation of improved controls.

Carry out independent Internal Audit and Audit Committee effectiveness reviews to assess their impact on improving the Council's internal control environment.

March 2022

1. Continue to put in place robust arrangements for the production of late 2019/20, 2020/21 and 2021/2022 financial statements, which meet statutory requirements and international financial reporting standards.
2. Ensure the critical financial governance weaknesses identified by DLUHC review and Grant Thornton on medium term financial planning, budgeting assumptions and sensitivity analysis are implemented with immediate effect to enable the Council to set realistic financial revenue plans for the short term.
3. Protect against over commitment on the Council's capital ambitions especially in the context of dependency on capital directions and the transition to LGR.
4. Develop a composite and robust action plan from all the Grant Thornton, DLUHC and CIPFA external reviews, ensuring there is appropriate capacity and capability in place to implement the required governance improvements with adequate and regular oversight and challenge from Full Council, Overview and Scrutiny and the Audit Committee.
5. Immediate action is required to strengthen the Council's internal governance arrangements, especially its Internal Audit service and Audit Committee effectiveness.

Following the issuing of the first Section 24 Statutory Recommendations Report on 18th February 2021 and the Full Council consideration of it at its public meeting on 25th February 2021, the external auditors were able to certify that they had completed the audit for 2017/18. The closure certificate on the audit was issued on 10th March 2021. The 2018/19 audit was closed post the dissolution of Copeland Council in March 2024.

As part of their audit findings report the external auditors identified and agreed with management six recommendations to address their findings with regard to value for money (VFM) as detailed below:

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1. Include scenario planning and sensitivity analysis in its MTFS to aide management and member's understanding of the impact changes to assumptions could have on future budgets.
2. Introduce estimates of the potential impact of the Fair Funding Review and the Business Rates Retention Scheme on the MTFS, to allow management and members to make informed decisions based on prudent estimates of future revenue streams.
3. Closely monitor the run rate and pressure on GF unearmarked reserves given the cumulative impact of under delivery on saving plans.
4. Ensure the timeliness of the financial statements is improved with the aim of producing accounts with high quality supporting working papers within statutory deadlines.
5. Continue to review all outstanding audit recommendations and AGS governance related weaknesses actions, especially those related to ICT and business continuity and regularly update Covalent (Pentana) with progress and implementation of improved controls.
6. Review the skills and capacity of Finance Team to ensure it can deliver internally or procure the appropriate people to enable the Council to produce technically sound financial statements.

Based on the work they performed to address the significant risks, they concluded that because of the significance of the matters identified in respect of the Council's financial reporting and sustainability arrangements, the gap in the skills and capacity within the finance team and issues in relation to the internal control environment, they were not satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

The external auditors therefore issued a qualified 'adverse' conclusion.

The external auditor acknowledged that 2017/18 audit has been extremely challenging for the finance team and the audit team alike. This has been due to a number of factors including the cyber-attack on the Council in August 2017, which disabled systems for several months, capacity and transitioning issues within the finance team. All of which have all contributed to the late receipt of draft accounts. In addition, the scale of errors and amendments required to the draft accounts and challenging management arrangements, resulted in qualified audit and VFM opinions.

Despite the challenges faced they continued to work closely with the Director of Financial Resources and his team and maintained a professional working relationship, which was achieved through regular meetings over a prolonged audit.

The external auditors subsequently delivered their value for money opinion for 2019/20 in January 2024. This review considered progress made against identified weaknesses in governance as at the cessation of Copeland Borough Council on 31st March 2023. This opinion included updated views on progress made against the previous S24 reports, recommendations stemming from the capitalisation directive and independent reviews of the effectiveness of both Internal Audit and the Audit Committee. These recommendations have been made to and addressed by the new Cumberland Council and reflect the final position on the economy, effectiveness and efficiency that Copeland utilised its resources in 2019/20. The report included 14 recommendations, which are appended to this statement as the most up to date reflection on improvements needed

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to be considered by Cumberland Council as a result of the reported weaknesses at Copeland Council.

Capitalisation Directives & External Assurance Review

On 2nd September 2020 the Council applied to the Department for Levelling up, Housing and Communities (DLUHC) for exceptional financial support in respect of financial pressures to balance the 2021/22 and 2022/23 revenue budgets. On 10th February 2021 DLUHC approved the request and provided the Council with a capitalisation direction to fund revenue expenditure incurred by the Council of up to £1.5m with respect to the financial year 2021/22, subject to a number of conditions including the Council incorporating the recommendations of the external assurance review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021, the s24 statutory recommendations issued by Grant Thornton in 2020 and the 2022 statutory recommendations from Grant Thornton Auditors into an integrated action plan and makes good progress towards responding to these, engaging with and providing quarterly updates to the Department for Levelling Up, Housing and Communities on their progress towards fulfilling these recommendations. The recommendations arising from the external assurance review conducted by the CIPFA are set out below, progress with their implementation is set out in the composite action plan appended to this AGS:

1. The Council refresh the MTFS to balance the budget to the year 22/23 and to 23/24 when Local Government reform is expected to take place. The current one- year MTFS is balancing the annual budget through use of reserves and the capitalisation support indicated by Government on an in-principal basis subject to this review. A new longer term MTFS will need to be balanced over a longer time horizon taking the Council into LGR with a plan of efficiencies, commercialisation of services as per the approach outlined in the Council's commercial strategy and potential further support from DLUHC. At the time of writing, the Cumbrian authorities in scope for LGR are discussing what planning horizon they should plan for regarding their respective revised MTFS.
2. The MTFS summarises scenario planning and sensitivity analysis, but this should be more explicit and sensitivity analysis to aid management and member's understanding of the impact changes to assumptions could have on future budgets. Members need to be aware of the risks to the budget and levels of reserves in the future and will need to make choices on service-based priorities reflective of what they can afford.

Implement Interest rate scenario planning to forecast interest rate costs in relation to forecast capital programme and monitor on on-going basis.

3. Refresh capital programme to assess the on-going achievability of schemes and as business cases are put forward robustly assess affordability. Currently the time horizon of the capital programme far outstrips the MTFS. This will need to be aligned and factor in LGR to assess the affordability of the schemes and the timings of planned capital expenditure with LGR. Whilst we do not believe LGR should hinder investment in services, there must be a transparency of the affordability of the programmes over a longer time horizon.

The Council's £33m planned borrowing (which is planned to be match funded, from savings or additional income and in some cases, levelling up and town deals) will need to be refreshed and aligned with a revised MTFS to capture the

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affordability of these programmes. Currently the time horizon of the capital programme exceeds the MTFS in planning terms. This will need to be aligned and factor in LGR to further demonstrate affordability of the schemes and the timings of planned capital expenditure with LGR. Whilst we do not believe LGR should hinder investment in services, there must be a transparency of the affordability of the programmes over a longer time horizon. LGR will also need to examine the potential efficiencies in service delivery and the impact on Copeland's citizens, noting that the transformative elements of the LGR programme in Cumbria are likely to occur post rather than pre-vesting day.

4. The Council should consider the use of integrated reporting that considers financial performance alongside service performance targets, selected demographic and other contextual analysis and staffing KPIs. This can help members and the public to consider financial resources in the context of wider value for money and effectiveness. However, this should be considered in the context of LGR and future reporting structures post LGR.
5. The MTFS recognises the additional costs of LGR and how these costs will be funded through the period. There is a lack of explicit information in the MTFS to recognise these additional costs.
6. The impact of MRP to finance capital expenditure (incurred in future years) will be significant given the scale of the capital programme relative to core spending power and compensating additional income / savings. This should be made clear with scenarios factored in and adequate risk management to control these costs.
7. In the build up to Local Government Reform, the Council should consider collaborative working with future Councils included within the new East / West proposed structures. This will provide more capacity to manage reform and ease the process.
8. Members must be aware of the financial challenges and the impending challenges of implementing Local Government Reform. Members have been engaged and this should continue to be so.
9. CIPFA supports Grant Thornton's statutory recommendations made as part of the 2017/18 audit that robust arrangements must be put in place to address the backlog of production of the Statement of Accounts 2018/19, 2019/20 and 2020/21 financial statements, which must meet statutory requirements and international financial reporting standards. Also previously, the lead auditor did not present the Statutory recommendations. We would recommend going forward the auditors, in the interest of governance and independence are present to make reports to full Council.
10. Internal Audit plays a key role in the assessment of the control environment within the Council. Responsibility for the Internal Audit Service sits with the Director of Corporate Finance as reported to the Audit Committee on 7th November 2019. CIPFA supports Grant Thornton's recommendation made as part of the 2017/18 audit that there is a review of Internal Audit. The Director of Corporate Finance having the responsibility for Internal Audit and the finance function is not reflective of good governance / best practice. CIPFA recommends a segregation of these roles.

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11. The s.151 Officer produces a detailed and considered action plan which aims to achieve sound financial management across the Council - CIPFA understands this is being produced. This was included in response to the Section 24 recommendation. These plans have been incorporated by the executive team into a clear Annual Governance Statement for 2018/19 and 2019/20. The 2020-21 Annual Governance Statement will need to be updated when the financial statements have been produced.
12. Develop and adopt a financial performance dashboard.
13. Review compliance with the CIPFA Financial Management Code.
14. Look for opportunities to make more use of detailed benchmarking information to challenge services.

CIPFA reviews on Audit Committee effectiveness

An independent review of the Audit Committee effectiveness was reported in March 2022, resulting in 11 recommendations focusing on the need to enhancing the skills and awareness of Audit Committee members, as well as raising the profile of the Committee within the organisation.

Cyber-attack

At the end of August 2017, the Council was the target of a major 'zero day' cyber-attack, which temporarily disabled the Council's IT network and access to corporate systems. Disruption to the Council systems continued throughout the remainder of the financial year and into 2018/19. The work of recovery further continued into 2019/2020. Not only did the attack present the Council with a challenge in meeting the financial cost of recovery, which has been calculated at circa £2.5m over 2017/18, 2018/19 and 2019/20, but also stretched the capacity of the workforce to beyond optimal limits.

The impact on the control environment and mitigating actions / compensatory controls were set out in detail in the 2017/18 Annual Governance Statement. The recovery continued into 2018/19 and beyond. The early recovery work around the IT infrastructure moved to the next phase in 2019/20 and has been strengthened and improved where it has been possible to do so. Earlier work on new backup strategy, including offline backups as per NCSC advice, as well as restoring the PSN had been completed. Recovery work continued on the replacement of critical software and hardware applications were focused on the ability to move to an environment which provides much stronger risk mitigation opportunities, in particular around ageing equipment and outdated legacy key applications. The recovery work was now focussed on improving our network and ICT core hardware resilience to further protect the Council.

COVID-19

The Covid 19 pandemic had a significant impact on the local economy, people's health and wellbeing and the way we worked. Some short-term measures were introduced by the Council at the onset to enable services to continue whilst following government guidelines for as many people as possible to work at home. Longer-term changes were subsequently introduced when it became apparent that agile and remote working was sustainable and a more efficient use of time and resources for some services.

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Code of Conduct

The Council, in its own Member capacity, and as a principal authority, continued to receive complaints submitted to the Monitoring Officer under the Council's Code of Conduct procedure.

The complaints can be received from either Councillors or members of the public.

All parish councils and town councils within the Borough were governed via the principal authority for submitting and dealing with complaints which the Monitoring Officer, Borough solicitor and Democratic Services Manager managed through due process. These complaints continued to be time consuming to deal with. It has been estimated that each complaint takes circa 15 hours of officer time to process from receipt, through a possible hearing and then on to final decision.

During 2019-20, the Council received a total of 25 code of conduct complaints, submitted from only 2 different parish councils within the Borough, this was a c.40% increase on the previous year. There were 21 complaints received from, and about, one parish council, and 4 complaints about another parish council. Of these 25 complaints: 1 was withdrawn, 6 complaints were rejected prior to a hearing, 9 complaints were found to not be in breach of the code, and 5 complaints were upheld.

The Council followed strict procedure as laid down and constitutionally adopted to process each complaint. The Council appointed Independent Persons to assist it in determining any outcomes of an investigation and Code of Conduct hearing.

Copeland had three appointed Independent Persons (I.P.s.), one of whom is always in attendance at a convened hearing of a complaint. At the AGM in May 2019, after recommendation by the Monitoring Officer, it was agreed by Full Council to constitute a separate Standards and Ethics committee with an identified terms of reference, and to move away from the former Audit and Governance sub-committee.

Review of the Constitution

The Council undertook a review of the Constitution. As part of this review, approval was given at the Annual Meeting in May 2019 for a separate Standards and Ethics Committee to be set up. This committee was formerly a sub-committee of the Audit and Governance Committee, now the Audit Committee.

At its meeting in September 2019 the Council adopted new Contract Standing Orders to replace 2012 rules. The Contract Standing Orders will be reviewed annually.

General Data Protection Regulations (GDPR) implementation

Following the implementation of GDPR, the Council introduced mandatory training sessions for all staff with refresher sessions on a regular basis to ensure compliance.

Corporate Peer Challenge

In November 2018 the Council undertook a Corporate Peer Challenge which resulted in a very positive report. Recommendations made by the Peer Review Team were included in an action plan which enabled CLT and Councillors to focus on opportunities for improvement and change.

These opportunities included:

- Commissioning the Copeland Vision.
- A new Commercial Strategy 2020- 23.

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- CIPFA training for staff and councillors in commercial awareness and recognising need for culture shift.
- Inauguration of a Commercial Engagement Group in Oct 2019 as part of new commercial governance framework.
- Regular budget monitoring processes re-established.
- Aim High performance management framework developed.
- Comprehensive Member Delivery training sessions following the 2019 elections.
- Specific training was arranged where external expertise was appropriate e.g. Code of Conduct training for all Members of the newly formed Standards and Ethics Committee.

Governance Improvements

The External Auditors acknowledge that the Council had made progress in rebuilding and strengthening its IT environment since the appointment of the Head of ICT in early 2019. Key milestones such as the achievement of the Cyber Essentials Plus certification in April 2020 and subsequent re-certification in August 2021 and the implementation of a brand-new network and ERP system in 2021 showed that the direction of travel on ICT control environment was positive. However, the external auditors found significant weaknesses in the ICT control and risk management environment, particularly around the absence of a disaster recovery plan.

An action plan based on improvements required was agreed with the external auditors as part of their value for money assessment for 2019/20. That action is the most recent review and includes an opinion on progress made against all other previous reviews and recommendations relating to Copeland's governance framework. The action plan, including Cumberland management responses is replicated with this Annual Governance Statement, as it recognises these are the key improvement areas that remain outstanding to improve the Council's framework of Governance, Risk Management and Internal Control, including any limitations on progress against statutory recommendations and the concerns identified in the annual head of internal audit opinion.

Overall Assessment of the Governance Arrangements in Place

The Cumberland Leadership Team and relevant Officers have reviewed the evidence outlined above and concluded that due to the governance issues set out in this report, mainly the delay in production of Final Accounts, 'partial assurance' can be provided on the governance arrangements in place in 2019/20.

The progress with the Annual Governance Statement priorities is detailed in the composite action plan appended to this report. Progress against these recommendations will be reported to Cumberland's Audit Committee on a regular basis.

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Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	Summary	Management response
<p><u>Recommendation 1</u></p> <p>Financial Planning arrangements in 2019/2020 – pages 12, 18-24</p> <p>Financial planning weaknesses identified at Copeland Borough Council should be considered by Cumberland Council, and used to inform the design of arrangements to ensure financial planning is robust and provides sustainability for the delivery of services. This includes:</p> <ul style="list-style-type: none"> ensuring levels of reserves are sufficient to mitigate financial risk ensuring robust savings plans are developed to deliver recurring savings and are backed by business and delivery plans providing sensitivity and scenario analysis for key financial risks within the budget and MTFS providing sufficient information regarding the revenue impacts of capital expenditure and borrowing within budget and MTFS reports. 	<p>Significant weaknesses identified with regard to the Council's financial planning arrangements in 2019/20. The Council increasingly relied on the use of one-off resources to balance annual budgets since 2020/21, rather than deliver sustainable efficiencies. This included significant use of reserves and capitalisation directions. This resulted in a projected budget gap of £3.998m for 2023/24 which the new Cumberland Council inherited. The Council's strategy of using GF and earmarked risk reserves to balance the revenue budget eroded the level of reserves available to mitigate financial risk and did not represent a financially sustainable strategy.</p>	<p>Robustness of estimates and adequacy of reserves considered as part of Cumberland Council's 2023-24 and 2024-25 budget setting rounds in accordance with statutory requirements.</p>
<p><u>Recommendation 2</u></p> <p>Financial risk within Capital Programme in 2019/2020 – pages 12, 25-27</p> <p>Capital programme risks identified at Copeland Borough Council should be considered by Cumberland Council, and used to inform the design of arrangements to ensure capital programmes are affordable and financing risk is mitigated. This includes:</p> <ul style="list-style-type: none"> ensuring the revenue implications of capital expenditure and borrowing are clearly highlighted in 	<p>Significant weakness existed in 2019/20 with regards financial risks within the capital programme. This risk related to the £27m of additional borrowing required to fund the programme and the assumption that the associated costs would be funded through the additional income generated from capital schemes. The borrowing requirement and associated MRP costs increased when the capital programme 2021/22 to 2025/26 was approved in February 2021 and therefore represented a growing risk in terms of</p>	<p>Prudence, affordability and sustainability of Cumberland Council's capital expenditure programme and associated borrowing considered in line with requirements of the Prudential Framework.</p> <p>Capital programme and the Prudential and treasury indicators cover the same minimum three period required by the Prudential Framework</p>

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Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	Summary	Management response
<p>budget reports and the MTFS.</p> <ul style="list-style-type: none"> ensuring capital programme projections and the Treasury Management Strategy cover the same period. reviewing inherited capital programmes from legacy councils to ensure they are affordable and develop a strategy for financing schemes dependent on borrowing. 	<p>affordability. We note that for 2022/23, the Council reviewed the capital programme and reduced the associated borrowing requirement. Additional information was also provided in the budget report on the revenue costs associated with borrowing</p>	
<p><u>Recommendation 3</u></p> <p>CIPFA Treasury Management – pages 25-27</p> <p>The Council should ensure it complies with the requirements of the CIPFA Treasury Management in Public Services Code of Practice and with the treasury scrutiny requirements set out in the Constitution. This should include:</p> <ul style="list-style-type: none"> providing Members as a minimum, an annual treasury strategy report, a mid-year review, and an annual treasury report ensuring the Audit Committee undertakes effective scrutiny of the Treasury Management Strategy and any associated policies. 	<p>CIPFA Treasury Management in Public Services Code of Practice requires that as a minimum the Council should receive an annual report on the strategy for the coming year, a mid-year review, and an annual report on the performance of the treasury management function. The Council's Constitution set out that the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Council did not comply with these requirements for 2019/20 as no annual report was provided for Member scrutiny. Although quarterly budget monitoring reports included a commentary on treasury management, they did not provide all the information we would expect from a formal mid-year review such as treasury income and expenditure forecasts against budget and details of investment and debt portfolios.</p>	<p>In accordance with the Treasury Management Code, Full Council receives an annual treasury strategy report, a mid-year review, and an annual treasury report. A summary of treasury management activities is also included in the quarterly finance reports submitted to the Council's Executive. This includes reporting on performance against all forward looking prudential indicators.</p> <p>Under Cumberland Council's Constitution the Audit Committee is responsible for monitoring the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.</p>
<p><u>Recommendation 4</u></p> <p>Statutory requirement to produce audited Statement of Accounts – pages 13, 28-29</p> <p>The Council should continue to put in place robust arrangements for the production of financial statements,</p>	<p>The Council has not fulfilled its statutory requirements to produce audited Statement of Accounts in line with the statutory deadline for years 2017-18 to 2022-23. Management's capacity to produce financial statements by the deadline and of sufficient quality is a significant risk, with associated</p>	<p>The Council will continue to put in place robust arrangements for the production of financial statements, on a timely basis which meet statutory requirements and international financial reporting standards.</p>

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<p>on a timely basis which meet statutory requirements and international financial reporting standards.</p> <p>The new unitary council will need to ensure sufficient resources and specialist skills are available to support the accounts production and ensure appropriate working papers are produced supported by evidence and documentation retained from the predecessor authority.</p>	<p>risks relating to reporting outturn and setting a budget without a prior year audited position. A statutory recommendation was reported in March 2022 that the Council should continue to put in place robust arrangements for the production of the late financial statements, which meet statutory requirements and international financial reporting standards. Additional demands on officers and Members will be made due to local government reorganisation in Cumbria as the Council transitions to Cumberland unitary council on 31 March 2023. The lack of audited closing Statement of Accounts for Copeland Borough Council will impact Cumberland Council's opening Statement of Accounts.</p>	
<p><u>Recommendation 5</u></p> <p>Risk management reporting – pages 14, 30</p> <p>Risk management reporting arrangements should be strengthened by:</p> <ul style="list-style-type: none"> mapping risks in the Strategic Risk Register to corporate priorities allocating further required actions to named officers and providing target dates for implementation. 	<p>No identification of any significant weaknesses in the Council's general arrangements for reporting and managing risk in 2019/20. The Strategic Risk Register was reported regularly to the Audit Committee during the year and contains most of the elements of best practice we would expect. We note that strategic risks were not mapped to corporate priorities to ensure that only risks that impact on strategic issues were reported. The Strategic Risk Register would also be strengthened by allocating further required actions to named officers and providing target dates for implementation.</p>	<p>Workshops were held both prior to LGR and in March to identify a strategic risk register against corporate objectives, working closely with the Senior Leadership Team. The strategic risk register format includes a mapping to the Council's strategic delivery plan; this plan was approved by Executive in January 2024, so the strategic themes will be mapped to the Strategic Risk Register from March 2024.</p> <p>Responsibility for all Strategic Risks are assigned to a member of the Senior Leadership Team and from March 2024 future actions to mitigate risk will include an assigned owner and target completion</p>

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		date. Risk reports have been reported to SLT on an 8-weekly cycle, which has recently been increased to a 4-weekly cycle for higher scoring risks.
<p><u>Recommendation 6</u></p> <p>Reporting arrangements for strategic risks – pages 14, 30-31</p> <p>Report risk quarterly to the Audit Committee and annually to Executive, in accordance with the Risk Management Policy, to ensure that those charged with governance have a proper oversight of risk management arrangements.</p>	<p>Arrangements for the regular reporting of the Strategic Risk Register to the Audit Committee did not resume after 2019/20. The Audit Committee received just one risk management report for each of the financial years since 2019/20. The Risk Management Policy required that the Executive receive annual risk management reports, but these were not provided for 2019/20, 2020/21 or 2021/22. We judge the lack of regular reporting of risk to Members for the last three financial years to be a significant weakness.</p>	<p>Risk update reports for Cumberland have been presented to every Audit Committee, with the Risk Management Framework approved in August 2023 and the first Strategic Risk Register presented in October 2023, with updates at each subsequent meeting. Committee Members have also received facilitated risk management training to enhance oversight in this area (January 2024).</p> <p>The Strategic Risk Register is also reported to Senior Leadership Team on an 8-weekly cycle, with more frequent reporting (4 weekly) now in place for higher scoring risks.</p>
<p><u>Recommendation 7</u></p> <p>Arrangement to manage ICT Risks – pages 14, 31–33</p> <p>Cumberland Council should consider the weaknesses identified with regard to the management of ICT risks at Copeland Borough Council as a priority to ensure that ICT controls and disaster recovery plans are robust going forward.</p>	<p>Significant concerns are raised with regards the arrangements to manage ICT risks ensuring an effective ICT control environment. These relate to:</p> <ul style="list-style-type: none"> significant weaknesses were identified in the ICT control environment following the severe cyber-attack in 2017 and these continued into 2019/20 and beyond Council were slow to address identified weaknesses evidenced through the findings of 	<p>A significant amount of work has been undertaken by Cumberland to ensure that Copeland's ICT control environment meets the requirements of Public Services Network (PSN) Accreditation. An extensive ICT health check was commissioned and undertaken, with further extensive work undertaken to address remedial actions to obtain PSN certification for the legacy</p>

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	<p>the May 2019 and December 2020 IT Health Checks</p> <ul style="list-style-type: none"> reduced Strategic Risk Register assessment of ICT resilience risk suggests insufficient oversight and awareness of risk to ICT systems a disaster recovery plan was not developed, and disaster recovery arrangements were not tested during a period of heightened risk, the scope of internal audit coverage of the ICT Strategy and ICT Purchasing was significantly reduced to a review of Information Security Policies and Human Resource Security the Council did not address previous statutory recommendations relating to ICT & business continuity. 	<p>Copeland network.</p> <p>The majority of the Copeland Infrastructure has been replaced and modernised and implemented in line with Best Practices. This includes the Core network, the Firewalls, the VPN, and the Datacentre facilities.</p> <p>Cumberland Council has registered a strategic risk in relation to cyber attacks, which has been given the maximum risk score available due to the current geopolitical risk environment.</p> <p>The team are currently harmonising their operational risk registers and will work with the Council's Risk Manager to produce an operational risk register that conforms to the Council's Risk Management Framework.</p> <p>Disaster Recovery is addressed in the response to follow-ups.</p>
<p><u>Recommendation 8</u></p> <p>Internal Audit Opinion for 2019/20 – pages 15, 34</p> <p>Revisit the basis for providing a reasonable assurance internal audit opinion for 2019/20 and whether this is justified by the reduced internal audit coverage for the year.</p>	<p>The approved Internal Audit Plan for 2019/20 was based on 421 audit days with the Internal Audit Manager confirming that these planned days were the minimum acceptable level of cover for an annual audit opinion to be provided. During the year several key assurance audits were deferred that totalled 110 days, and by the year-end only 11 out of 17 (65%) planned audits were completed. A reasonable annual internal audit opinion was provided for 2019/20. Due to the significant reduction in coverage against the plan we do not consider that there was</p>	<p>While the findings are accepted, this was a historic decision made by previous Head of Internal Audit at Copeland Borough Council.</p> <p>Audit opinions at Copeland for 2021/22 and 2022/23 (draft) both provided partial assurances and the 2021/22 opinion included significant caveats relating to the limited audit coverage in that year (which was identified by the incoming Head of</p>

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	enough breadth of review of the control environment to provide a reasonable assurance opinion.	Internal Audit when appointed in April 2022). Internal Audit coverage at Cumberland has been monitored and reported regularly and actions have been taken to address resource difficulties faced by the service (which will be referred to in the 2023/24 annual Head of Internal Audit opinion).
<u>Recommendation 9</u> Audit Committee review of Internal Audit recommendations - page 34 Improve the quality of reporting on the implementation of internal audit key recommendations to the Audit Committee to include detailed narrative for all Priority 1 and Priority 2 recommendations.	Audit Committee was only provided with detailed information on overdue internal audit recommendations for Priority 1 recommendations and Priority 2 recommendations that were less than 50% implemented. The Audit Committee should be provided with detailed information regarding the progress made in implementing all Priority 1 and 2 recommendations in order to allow for appropriate oversight and challenge where improvements are required to the control environment.	The Cumberland Audit Committee receives regular updates on the follow-up of all internal audit recommendations, including outstanding legacy recommendations from the three district councils.
<u>Recommendation 10</u> Internal Audit – Quality Assurance and Improvement Program – pages 15, 34 - 35 In response to previous recommendations from Grant Thornton and DLUHC, the Council commissioned an independent CIPFA review of conformance to Public Sector Internal Audit Standards. The conclusion of the review was that the internal audit service partially conforms to these standards. Reasonable progress was made during 2022/23 implementing recommendations to improve compliance with PSIAS. Several recommendations were completed with improvements	Continue to improve the effectiveness of the internal audit function and ensure the positive direction of travel with regard to PSIAS compliance is maintained. This includes: <ul style="list-style-type: none"> • embedding the new working methodology to deliver internal audit work • continued review and reporting to Audit Committee of compliance with PSIAS • continue to develop the quality and improvement process • ensure that auditors undertake sufficient professional training. 	Significant action was undertaken by Copeland's Head of Internal Audit during 2022/23 to address the recommendations made in the External Quality Assessment, with progress reported to Audit Committee on a regular basis. A self-assessment of conformance with the PSIAS for 2022/23 was reported to Cumberland Audit Committee (August 2023) for all 3 district councils, including Copeland, resulting in an action plan, which has had progress reported to Audit Committee at subsequent meetings. A

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made to the Internal Audit Charter and Audit Plan. A new working methodology was used to deliver the 2022/23 internal audit work.		self-assessment will be provided for 2023/24, shortly followed by an independent external quality assessment. Quality and Improvement Procedures (QAIP) are in-built into the existing methodology, but Internal Audit has recognised the need to develop an enhanced QAIP for the service and this will be in place from early 2024/25, which will include a training needs assessment for the service.
<p><u>Recommendation 11</u></p> <p>Implementation of CIPFA Recommendations – pages 16, 35-40</p> <p>Cumberland Council should ensure actions identified in the CIPFA review of the effectiveness of the Audit Committee at Copeland Borough Council are addressed to ensure that there is an effective Audit Committee going forward. In particular:</p> <ul style="list-style-type: none"> Ensuring sufficient training and support is provided in order to increase the skills and knowledge of Audit Committee Members Providing frequent risk management reports to the Audit Committee in order to provide proper oversight to those charged with governance Governance arrangements are improved through the production of an Audit Committee Annual Report and self-assessment. 	<p>The CIPFA report presenting recommendations relating to the effectiveness of the Audit Committee dated September 2021, was provided to the Audit Committee in March 2022. There was an opportunity to implement many of the recommendations to be effective during 2022/23, and also to improve year-end reporting and review for 2021/22. Many of these actions could have been implemented quickly without significant cost. The Council was slow to implement the required improvements to increase the effectiveness of the Audit Committee, and the majority of the CIPFA recommendations were still outstanding at March 2023.</p>	<p>A significant training programme has been developed for Cumberland Council Audit Committee members, including:</p> <ul style="list-style-type: none"> A comprehensive induction programme covering training on all areas within members remit Regular training sessions prior to Committee meetings An enhanced risk management training session facilitated by Zurich Municipal An enhanced Treasury Management training session facilitated by Link. <p>The Committee have also appointed a suitably qualified independent member following a competitive interview process, who will commence in post from March 2024.</p> <p>Informal/formal deep dives of individual strategic risks are now being undertaken</p>

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		<p>at Committee meetings to improve Member's awareness of risk management within the organisation.</p> <p>Regular risk management updates are provided and an annual report and self-assessment will be delivered in May 2024.</p>
<p><u>Recommendation 12</u></p> <p>Prevention of fraud, money laundering and corruption – pages 35-36</p> <p>We recommend Cumberland Council consider the weaknesses identified at Copeland Borough Council regarding reporting on arrangements to prevent and detect fraud and corruption and ensure that robust arrangements are put in place going forward. Specifically:</p> <ul style="list-style-type: none"> • an annual counter fraud plan should be approved by the Audit Committee that includes adequate resource for risk-based work, reactive work, investigations and counter fraud training and awareness. • Regular progress reports and an annual report that summarise counter fraud activity and the results of fraud investigations should be presented for Audit Committee scrutiny. 	<p>Arrangements for reporting on arrangements to prevent and detect fraud and corruption to the Audit Committee were not adequate. The Audit Committee received the Fraud and Corruption Strategy and Anti Money Laundering Policy in April 2019 before approval by Executive in June 2019. There have been no further policies reviewed and there was no annual counter fraud plan, progress report or annual report.</p>	<p>The Internal Audit plan for Cumberland includes a counter-fraud plan, specifying audit work being undertaken in relation to the prevention, detection and investigation of fraud.</p> <p>The Committee received and approved the Council's Counter-fraud and Confidential Reporting policies.</p> <p>Internal Audit progress reports include an update on counter-fraud activity, including outcomes of any finalised fraud investigations.</p> <p>From 2024/25 an annual self -assessment will be provided against best practice in relation to counter-fraud.</p>
<p><u>Recommendation 13</u></p> <p>DLUHC, CIPFA and Grant Thornton action plan – pages 16, 37-40</p> <p>Implement the recommendations made by internal audit regarding the monitoring of progress with the composite</p>	<p>Recommendations from the DLUHC, CIPFA and Grant Thornton external reviews were combined into a composite action plan. Progress was formally reported to Members of the Overview and Scrutiny Committee and Audit Committee. Internal Audit undertook a review of the progress made against</p>	<p>Cumberland Council does not currently have a performance management system in place.</p> <p>In order to adhere to this recommendation a review of statutory recommendations will be undertaken to identify those that are still</p>

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<p>action plan developed from external regulator reviews. Specifically:</p> <ul style="list-style-type: none"> outstanding statutory recommendations should be added to the corporate performance management system, Pentana Risk, to allow for regular monitoring. SMT should regularly review the status of all recommendations and consider whether further action is required to mitigate any overarching risks. 	<p>the action plan, providing to the Audit Committee in January 2023 a reasonable assurance opinion for the controls for progressing statutory recommendations. Our review of progress made has identified that while progress has been made in some areas, key recommendations relating to balancing the MTFS, addressing the backlog in producing financial statements, developing IT disaster recovery plans, and improving the effectiveness of the Audit Committee have not been implemented. We have made specific recommendations relating to these areas elsewhere in this report. We also endorse the recommendations made by internal audit as a result of their review of the progress made implementing the recommendations within the plan.</p>	<p>applicable to Cumberland, these will be assigned actions, with progress reported to SLT on a regular basis.</p>
<p><u>Recommendation 14</u></p> <p>Procurement Arrangements- pages 17, 41-42</p> <p>Cumberland Council considers the significant weaknesses with regards procurement arrangements at Copeland Borough Council ensuring arrangements are robust and transparent going forward including:</p> <ul style="list-style-type: none"> maintaining evidence procurement activity complies with CSOs, financial regulations and public procurement regulations maintaining a register of procurement waivers, and reporting waivers regularly to those charged with governance reporting on key performance indicators as set out in the Procurement Strategy. reviewing Contract Standing Orders and the 	<p>Significant weaknesses in the Council's procurement arrangements were identified. These include:</p> <ul style="list-style-type: none"> not being able to provide evidence that appropriate procurement processes were followed. an absence of reporting procurement waivers to those charged with governance. not reporting key procurement performance indicators formally to Members not regularly reviewing the Procurement Strategy and Contract Standing Orders not maintaining an up-to-date contract register and not ensuring procurement information 	<p>These issues were predominantly in place due to the limited resource at Copeland in relation to procurement. Cumberland Council has a Procurement team in place who have either addressed or are working towards addressing the issues raised.</p> <p>Contract Procedure Rules and Standing Orders are in place and a spend analysis tool is now in place and starting to be used to help monitor compliance.</p> <p>A register of procurement waivers is maintained by the service.</p> <p>A Contract Register is online on the external website. A 'Contracts Finder' form has been put in place to facilitate the</p>

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<p>Procurement Strategy regularly.</p> <ul style="list-style-type: none"> ensuring the contract register is maintained and published ensuring procurement information published on the Council's website is up to date. 	<p>published on the website is up to date.</p> <p>These weaknesses create a risk that procurement activity is not achieving value for money and that there is insufficient oversight of procurement activity from those charged with governance.</p>	<p>register and this should be completed by officers when they award contracts over £25k plus VAT, so that the appropriate notification can be published on the government website Contracts Finder page and also to ensure contracts over £50k are added to the Council's Contract Register.</p> <p>An intranet page has been developed to provide awareness of counter-fraud arrangements and Internal Audit & Procurement are working on an e-learning package that will include procurement fraud.</p> <p>The draft internal audit plan for 2024/25 also includes an audit of counter-fraud activity in place at the Council, which will comprehensively review the control framework in place at Cumberland and identify any further improvements that could be put in place.</p>

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

Dated: 28 April 2025

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

Dated: 28 April 2025

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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	<p>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.</p> <p>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.</p>
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)	<p>Changes in the present value of the defined benefit obligation resulting from:</p> <ul style="list-style-type: none">(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	<p>Assets (other than non-transferable financial instruments issued by the reporting authority) that are either:</p> <ul style="list-style-type: none">(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:<ul style="list-style-type: none">(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

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	(ii) the assets are returned to the reporting authority to reimburse it for employee benefits already paid.
associate	An entity over which an investor (i.e. a reporting authority) has significant influence.
authorised for issue (date)	For unaudited accounts - the date on which the responsible financial officer (RFO) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval. For audited accounts - the date the responsible financial officer (RFO) re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015.
available-for-sale financial assets	All non-derivative financial assets that are not classified as (a) loans and receivables or (b) fair value through profit or loss.
benefits payable during employment	Benefits payable during employment include: a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. b) Other long-term employee benefits (other than post-employment benefits and termination benefits) earned by current employees but not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. (e.g. long-service leave or jubilee payments and long-term disability benefits).
call accounts	Funds placed with a financial institution without a fixed maturity date and which can be 'called' or withdrawn at any time.
capital expenditure	Expenditure which falls to be capitalised in accordance with proper practices (i.e. the expenditure results in an asset being recognised on the balance sheet) or which otherwise falls to be treated as capital expenditure under regulations or by virtue of a capitalisation direction.
capital receipt	A sum received by the authority in respect of the disposal by it of an interest in a capital asset'. An asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure. Capital receipts also include sums to be treated as being a capital receipt under regulations. These include repayment of a loan, grant or other financial assistance, given by an authority if the same loan, grant or advance would qualify as capital expenditure if incurred at the time of the repayment. Capital receipts which, in aggregate do not exceed £10,000 are not treated as a capital receipt. Capital receipts can only be used for one or more of the purposes set out in regulations. For example, to finance capital expenditure, to repay the principal of any amount borrowed, to pay a premium charged in relation to any amount owed or to meet the costs of disposal of an interest in non-housing land, provided these do not exceed 4% of the capital receipt arising from the disposal.
capitalisation	Recognising expenditure as part of the cost of a non-current asset.
carrying amount	The amount at which an asset, a liability or reserve is recognised in the balance sheet.
carrying amount (of an intangible asset)	The amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.
carrying amount (of PPE)	The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

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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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.

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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	<p>(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</p> <p>(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.</p>
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	An 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

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	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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> a) is expected to be settled in the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months) b) is held primarily for the purpose of trading c) is due to be settled within 12 months after the reporting period, or d) the authority does not have an unconditional right to defer settlement of for at least 12 months after the reporting period.
current replacement cost	The cost the authority would incur to acquire the asset on the reporting date.
current service cost	The increase in the present value of a defined benefit obligation resulting from employee service in the current period.
current value (for land and buildings)	The amount that would be exchanged for the asset in its existing use. Current value measurement bases include: <ul style="list-style-type: none"> • existing use value (EUV) defined in accordance with UKVS 1.3 Royal Institution of Chartered Surveyors (RICS) <i>Valuation – Professional Standards</i> (RICS, January 2014, as revised April 2015) for assets providing service potential to the authority where an active market exists, and

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	<ul style="list-style-type: none"> depreciated replacement cost for assets where there is no market and/or the asset is specialised.
debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
deficit or surplus of a defined benefit pension scheme	The present value of the defined benefit obligation less the fair value of plan assets (if any).
defined benefit (pension) plan	<p>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.</p> <p>Defined benefit plans include both funded schemes such as the Local Government Pension Scheme and unfunded (pay as you go) schemes.</p>
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	<p>A financial instrument or other contract within the scope of [IFRS9] with all three of the following characteristics:</p> <p>(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");</p> <p>(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</p> <p>(c) It is settled at a future date.</p>
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.

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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.

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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: <ul style="list-style-type: none"> • 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.

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financial liability	<p>An obligation to transfer economic benefits controlled by the authority that is represented by:</p> <ul style="list-style-type: none"> • 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	<p>A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions: a) it meets the definition of held for trading b) upon initial recognition it is designated by the authority as at fair value through profit or loss in accordance with paragraph 7.1.5.8 or paragraph 4.3.5 of IFRS 9 c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9.</p>
financing activities	<p>Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.</p>
future economic benefit or service potential	<p>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.</p>
gilts	<p>UK government securities issued by HM Treasury</p>
going concern assumption	<p>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.</p>
government	<p>Central government, government agencies and similar bodies whether local, national or international.</p>
government-related entity	<p>An entity that is controlled, jointly controlled or significantly influenced by a government.</p>
grants and contributions	<p>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.</p>
gross carrying amount of a financial asset	<p>The amortised cost of a financial asset, before adjusting for any loss allowance.</p>
gross investment in the lease	<p>The aggregate of:</p> <ul style="list-style-type: none"> (a) the minimum lease payments receivable by the lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
group	<p>A parent and all its subsidiaries.</p>
group accounts	<p>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.</p>
guaranteed residual value	<p>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</p>

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	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: <ul style="list-style-type: none"> (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).

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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.

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joint operator	A party to a joint operation that has joint control of that joint operation.
joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel	All chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.
lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
lease term	The non-cancellable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option
legal obligation	An obligation that derives from a contract (through its explicit or implicit terms); legislation, or other operation of law.
lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.
level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
level 3 inputs	Unobservable inputs for the asset or liability.
liability	A present obligation of the authority to transfer an economic resource as a result of past events.
lifetime expected credit losses	The expected credit losses that result from all possible default events over the expected life of a financial instrument
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those: <ul style="list-style-type: none"> (a) that the authority intends to sell immediately or in the near term, (and classified as fair value through profit or loss), or (b) for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (and classified as available-for-sale).
loans payable	Financial liabilities, other than short-term trade payables on normal credit terms.
loss allowance	The allowance for expected credit losses on financial assets measured in accordance with paragraph 7.1.5.2 of the Code (i.e. at amortised cost), lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 7.1.5.3 of the Code (i.e. fair value through other comprehensive income) and the provision for expected credit losses on loan commitments and financial guarantee contracts.
market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

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market-corroborated inputs	Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
market participants	<p>Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:</p> <ul style="list-style-type: none"> a) They are independent of each other, i.e. they are not related parties as defined in IAS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. c) They are able to enter into a transaction for the asset or liability. d) They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.
material	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
minimum lease payments	<p>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:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
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	<p>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.</p>

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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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> (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 assets 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.

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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.

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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.

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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.

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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	<p>A person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity').</p> <p>(a) A person or a close member of that person's family is related to a reporting entity if that person:</p> <ul style="list-style-type: none"> (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. <p>(b) An entity is related to a reporting entity if any of the following conditions apply:</p> <ul style="list-style-type: none"> (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	<p>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.</p> <p>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.</p>
relevant activities, remeasurements of the net defined benefit liability (asset)	<p>Activities of the investee that significantly affect the investee's returns.</p> <p>Remeasurements comprise:</p> <ul style="list-style-type: none"> (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	<p>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</p>

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	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: <ul style="list-style-type: none"> • 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).

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senior employee	<p>An employee:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> (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	<p>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:</p> <ul style="list-style-type: none"> 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	<p>Periods during which an employee does not provide services to the employer, but benefits continue to be paid.</p> <p>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.</p>
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.

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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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) the United Kingdom Government (ii) a local authority in England or Wales or a similar body in Scotland or Northern Ireland (iii) a parish council or community council.
stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.
stand-alone selling price (of a good or service)	The price at which an authority would sell a promised good or service separately to a service recipient.
structured entity	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
subsidiary	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).
surplus or deficit on the provision of services	The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.
tangible heritage asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
term deposits (time deposits)	A type of interest-bearing account for a fixed period of time - ranging from overnight to 5 years - and from which the depositor cannot withdraw funds before the maturity date without incurring a penalty. Time deposits typically pay a fixed rate of interest payable on maturity although longer sated deposits may make interim interest payments.
termination benefits	Employee benefits payable as a result of either: <ul style="list-style-type: none"> 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

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	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 receivable 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: <ul style="list-style-type: none"> • 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: <p>(a) they result directly from and are essential to that transaction.</p> <p>(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).</p>
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: <p>(a) the gross investment in the lease; and</p> <p>(b) the net investment in the lease.</p>
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.

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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.

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ABBREVIATIONS

AVC	Additional Voluntary Contribution
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CFO	Chief Finance Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIFPA	The Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Foods and Rural Affairs
DRC	Depreciated Replacement Cost
DWP	Department of Work and Pensions
EIR	Effective Interest Rate
EUV	Existing Use Value
FRICS	Fellow of Royal Institution of Chartered Surveyors
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IB-DRC	Instant Build Depreciated Replacement Cost
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LCTS	Local Council Tax Support
LGA 2003	Local Government Act 2003
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government
MiRS	Movement in Reserves Statement
MMI	Municipal Mutual Insurance
MRICS	Member of the Royal Institution of Chartered Surveyors
MRP	Minimum Revenue Provision
NBV	Net Book Value
NDR (NNDR)	National Non-Domestic Rates (Business Rates)
NHS	National Health Service
OEIC	Open Ended Investment Company
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PPP	Public Private Partnership

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PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RFO	Responsible Finance Officer
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Prices Index
RSG	Revenue Support Grant
RSL	Registered Social Landlord
RTB	Right to Buy
SeRCOP	Service Reporting Code of Practice
SI	Statutory Instrument
SIP	Statement of Investment Principles
SOLACE	The Society of Local Authority Chief Executives and Senior Managers
SPPI	Solely payments of principal and interest
TMPs	Treasury Management Practices
UEL	Useful Economic Life
VAT	Value Added Tax
VOA	Valuation Office Agency