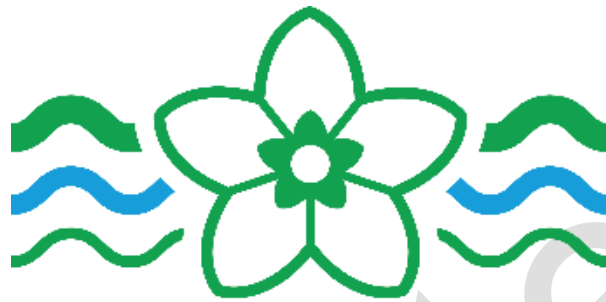




Cumberland Council

Statement of Accounts

Year Ending 31 March 2024

Cumberland Council

Statement of Accounts 2023/24

Contents

Page

Section 1: Narrative Report, Statement of Responsibilities & Auditor's Report

Narrative Report.....	1
Statement of Responsibilities for the Statement of Accounts.....	32
Auditor's Report	33

Section 2: Financial Statements

Comprehensive Income and Expenditure Statement	40
Movement in Reserves Statement	41
Balance Sheet	42
Cash Flow Statement	43

Section 3: Notes to the Financial Statements

Note 1	Accounting Policies: Basis of Preparation	44
Note 2	Changes to Accounting Policies and Prior Period Adjustments.....	44
Note 3	Critical Judgements made in Applying Accounting Policies.....	47
Note 4	Assumptions made about the Future and Other Major Sources of Estimation Uncertainty.....	51
Note 5	Impact of New Accounting Standards not yet Adopted	53
Note 6	Expenditure and Funding Analysis.....	59
Note 7	Grant Income Recognised in the Cost of Services.....	65
Note 8	Dedicated Schools Grant	67
Note 9	Other Operating Income & Expenditure	68
Note 10	Financing and Investing Income and Expenditure.....	68
Note 11	Taxation and Non-Specific Grant Income and Expenditure.....	69
Note 12	External Audit Costs	71
Note 13	Members' Allowances.....	71
Note 14	Officers' Remuneration	72
Note 15	Exit Packages.....	73
Note 16	Pooled Budgets.....	74
Note 17	Adjustments between Accounting Basis & Funding Basis under Regulations.....	75
Note 18	Usable Reserves	77
Note 19	Unusable Reserves.....	80
Note 20	Property Plant & Equipment.....	85
Note 21	Heritage Assets.....	89
Note 22	Investment Property.....	91

Section 3: Notes to the Financial Statements (continued)

	Page
Note 23 Capital Expenditure and Financing.....	94
Note 24 Investments.....	95
Note 25 Short-term Debtors.....	96
Note 26 Non IFRS 9 financial assets that are either past due or impaired.....	96
Note 27 Cash and Cash Equivalents	97
Note 28 External Borrowing	97
Note 29 Short-term Creditors	98
Note 30 Contract and Other liabilities	98
Note 31 Provisions	99
Note 32 Long-term creditors	100
Note 33 Other Long-term liabilities.....	100
Note 34 Pensions Accounted for as Defined Contribution Scheme.....	100
Note 35 Defined Benefit Pension schemes.....	101
Note 36 Financial Instruments	111
Note 37 Nature and Extent of Risks Arising from Financial Instruments	115
Note 38 Cash Flows from Operating Activities	122
Note 39 Cash Flows from Investing Activities.....	123
Note 40 Cash Flows from Financing Activities.....	123
Note 41 Reconciliation of Liabilities Arising from Financing Activities	124
Note 42 Leases	125
Note 43 Service Concession Arrangements (PFI).....	126
Note 44 Related Party Transactions	128
Note 45 Contingent Assets and Liabilities	129
Note 46 Trust Funds	130
Note 47 Interests in Subsidiaries.....	133
Note 48 Interests in Joint Ventures and Associates	134
Note 49 Events after the Balance Sheet Date	136
Note 50 Opening balance sheet	137

Section 4: Collection Fund

Collection Fund.....	139
Notes to the Collection Fund Account	140

Section 5: Accounting policies	143
Section 6: Other Statements	
Annual Governance Statement.....	170
Section 7: Glossary	193

Unaudited

Narrative Report

1. Introduction

- 1.1 The Statement of Accounts summarises Cumberland Council's financial performance, financial position and cash flows for the financial year ending 31 March 2024.
- 1.2 To provide context to and assist in the interpretation of the Statement of Accounts, the Narrative Report which follows provides information about the Authority of relevance to understanding its financial performance and position. This includes information about the Authority's:
 - key strategic priorities and performance in delivering its main objectives
 - key risks and uncertainties in relation to future service provision
 - medium term financial strategy
 - financial performance (income and expenditure) and cash flows during the financial year, the major influences affecting performance and cash flows and how actual financial performance compares to budget
 - financial position (balance sheet) at the year end and the major influences affecting the Authority's financial position.

2. About the Council

- 2.1 Cumberland Council was established as a new unitary council on 1 April 2023 replacing three district councils (Allerdale Borough Council, Carlisle City Council and Copeland Borough Council) and a part of Cumbria County Council.
- 2.2 The local government reorganisation process saw a significant change programme, bringing together four legacy councils into one organisation whilst maintaining the quality of service delivery to our residents. The complexity of bringing four councils together and disaggregating the former county council has been challenging but provides a once-in-a-generation opportunity to transform the way we deliver services and support our communities across Cumberland.
- 2.3 Cumberland is located in the Northwest of England and includes the historic city of Carlisle to the north. Cumberland is a diverse area, both in terms of geography and history. It includes some of the country's most stunning rural and coastal landscapes, including two world heritage sites, an area of outstanding natural beauty and world class attractions that draw in millions of visitors.
- 2.4 Cumberland has a population of 273,255 and covers an area of 3,012 square km. With an average population density of 91 people per square km, Cumberland is much more sparsely populated than the national average. There are 125,500 households in Cumberland. Out with Carlisle the population is spread across a number of smaller towns and villages. More than half of Cumberland's population live in a rural area.
- 2.5 The area has low levels of crime, and many residents enjoy an excellent quality of life. However, the diversity of geography and history across the district manifests as a broad range of issues and challenges facing different communities, and a range of inequalities exist across Cumberland. 14 community areas in Cumberland fall within the 10% most deprived of areas in England, whilst 10 are amongst the least deprived. 16.1% of children live in Relatively Low-Income Families, but this figure is much higher in some parts of Cumberland, and health outcomes can differ markedly depending on where someone lives in Cumberland.

1: NARRATIVE REPORT

- 2.6 The Council is a politically led organisation and has adopted a Leader and Cabinet (Executive) model. It has 46 elected members representing 46 wards across the district.

Council vision and priorities

- 2.7 The Cumberland Council Plan 2023-2027 outlines what the Council want to focus on in its first four years along with the fundamental principles that shape the Council's approach.
- 2.8 The vision for the Council is to: 'Take a fresh approach to the delivery of inclusive services that are shaped by our residents and communities. By enabling positive outcomes for health and wellbeing, prosperity and the environment we will fulfil the potential of our people and our area.'

- 2.9 The Council's central aim is to improve the health and wellbeing of our residents - it is at the heart of everything that we do. This aim is supported by a focus in four key areas. By prioritising addressing inequalities, local economies that work for local people, environmental resilience and the climate emergency and delivering excellent public services, we can make an impact on the factors that improve health and wellbeing.



- 2.10 The Council's work in these areas is underpinned by the Cumberland Approach – the fundamental principles that shape our approach ensuring we:
- provide accessible and trusted services that listen, involve and engage; are driving change, learning and improving
 - demonstrate leadership whilst working collaboratively
 - think local first and sustainably and,
 - focus on prevention and early intervention.
- 2.11 Our Values are also fundamental to the way in which we operate as an organisation, how we approach service delivery, and how we interact with our residents and other stakeholders.
- 2.12 In everything we do we aim to be: compassionate; innovative; empowering; ambitious; and collaborative.
- 2.13 The Council has developed and begun delivery of transformation plans to ensure we can begin our transformation journey. Our broad approach to creating our new council is focused on:
- achieving long-term financial sustainability by reducing overspend, avoiding cost and increasing income
 - delivering high-performing, quality services that deliver better outcomes for our residents – using data and insight, technology, innovation and efficient processes and,

1: NARRATIVE REPORT

- implementing a new operating model for Cumberland - by managing demand, setting a new culture, shifting to a prevention model, early engagement with residents and focusing on pre-front door and self-service.

Delivery Plan and performance reporting

- 2.14 The Council Plan Delivery Plan describes the key activity that will be delivered to meet the priorities, objectives and ambitions set out in the Council Plan. Alongside this is a set of key performance metrics contained within a strategic performance framework grouped around the five outcome areas included in the Council Plan.
- 2.15 The Council has a Performance Management Framework in place which sets out how the Council manages performance. This includes quarterly performance and finance reports made to the Executive on the current position – including progress against the Medium-Term Financial Plan, Key Performance Indicators and activity milestones aligned to the programmes of work set out in the Council Plan Delivery Plan. The Councils performance reports are publicly available and accessible via the Councils website [Browse meetings - Executive | Cumberland Council](#))

Services

- 2.16 The Council is responsible for ensuring a wide range of services are provided to residents, businesses, and visitors to Cumberland. As a unitary Council it provides all local authority services (either directly or through use of external contractors and partner organisations from the public, private and third sectors) including adult social care, children's social care, education, public health, highways, planning, housing, leisure, culture, waste collection and disposal, benefits, building control and environmental services amongst many more.
- 2.17 Services to the public are supported by a range of back-office and support functions including Finance, Property Services, Legal, IT and Human Resources. In addition to providing or commissioning services the Council is also responsible for the collection of local taxation in the form of Council Tax and Non-Domestic Rates on behalf of itself and local agencies such as Police and Fire authorities.
- 2.18 For resource allocation and financial reporting purposes services and support functions are allocated across eight Directorates:

Directorate	Service/Support function	
Chief Executive		
Assistant Chief Executive	• Communications • Strategy and Policy	• Performance and Analysis • Planning Policy
Business Transformation & Change	• Programme Management Office (PMO) • Payroll • Transformation Programme • ICT and Digital	• Human Resources and Organisational Development • Procurement • Commissioning
Resources	• Car Parks • Port of Workington (POW) • Libraries • Property • Business Support • Finance • Treasury Management • Fleet Management • Customer Services	• Legal and Information Governance • Democratic, Members & Elections • Insurance • Records Management • Health and Safety • HM Coroner • Registration • Internal Audit • Revenues and Benefits

1: NARRATIVE REPORT

Directorate	Service/Support function	
Place, Sustainable Growth & Transport	• Waste Collection & Disposal • Transport Services • Healthy Places • Climate • AONB (Area of Outstanding National Beauty) • Arts, Culture & Heritage, Leisure • Public Places • Highways Assets & Strategy	• Highways Delivery • Infrastructure Planning • Flooding & Coastal Management • Countryside Access • Planning & Building Control • Economic Development • Clean Growth (Inc Nuclear) • Destination Management & Tourism • Regeneration
Public Health & Communities	• Area Management • Public Health • Local Committees Communities • Active Cumbria • Refugees and resettlement • Emergency Planning	• Domestic Abuse • Communities & Localities • Public Health & Community Housing • Trading Standards • Licencing • Community Learning & Skills
Adult Social Care & Housing	• Older and Younger Adults • Disabilities & Mental Health • Service Provision Management	• Housing • Support At Home • Community Equipment Service
Children & Family Wellbeing	• Inclusive Learning • Inclusion • Teachers Pensions Agency • Cared For Service • Support & Protect Services • Youth Offending and Prevention • Early Help	• Learning Improvement • Schools & Learning • Virtual School Head • SEND • Strategic Development • Children & Family Management

Employee information

- 2.19 At 31 March 2024 the Authority employed 4,107 people on full time and part time contracts. This excludes school-based staff.

Governance arrangements

- 2.20 A summary of the key elements of the systems and processes that comprise the Authority's governance arrangements, are set out in the Annual Governance Statement that accompanies the Statement of Accounts (section 6).
- 2.21 The Annual Governance Statement provides a summary of the arrangements established by the Authority to ensure legislative requirements, governance principles and management processes are within the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

3. The Council's key achievements and performance

- 3.1 The focus in the Council's first year of operation has been on integrating four councils into one and stabilising the organisation to ensure our services continue to be delivered effectively for all of our communities. We have also developed our transformation plans to ensure we can begin our transformation journey and achieve our goals of delivering long-term financial sustainability and high-performing services for our residents through implementation of an effective operating model.

1: NARRATIVE REPORT

- 3.2 Council performance is measured against Council Plan Delivery Plan activity and key performance indicators. Responsibilities for delivery are allocated by the lead Executive member and relevant chief officer, ensuring the whole organisation is working towards the delivery of the Council Plan and that outcomes are measured and assessed. Performance in meeting the priorities set out in the Council Plan was monitored regularly throughout the year by the Council's Senior Leadership Team (SLT), Executive and Overview and Scrutiny. Quarterly performance reports can be found on the Council's website.
- 3.3 Examples of achievements and performance in 2023-24 against the first year of delivery under the Council Plan priorities are listed below, organised in line with the five Plan priorities:

Improving health and wellbeing

- A multi-agency Family Wellbeing Partnership has been established to support early help and prevention plans and approaches.
- Cumberland's first Family Hub was launched in Whitehaven, a Department for Education funded initiative that aims to bring together a range of services into a single, accessible site, making it easier for families to get the support they need.
- A programme to embed health and wellbeing thinking throughout council policy and practice has been developed and is being carried out.
- The Council is making good progress on developing strategic action plans to tackle significant issues including suicide prevention and mental health.
- The Council continued to deliver successful interventions with partners through Active Cumbria to address inactivity and to improve participation levels for children and young people and adults, including the Live Longer better scheme.
- The rate of cared for children and young people was reduced from 99.9 per 10,000 to 94.6 per 10,000 over the year (although this figure remains higher than the national average). The number of entries into care has also been significantly reduced across the year.
- The percentage of Health and Wellbeing Team cases closed with clients reporting positive outcomes at the end of their support package rose across the year from 60% at June 2023 to 69% at March 2024.

Addressing inequalities

- The Council implemented a new model for working with our communities through our eight Community Panels (made up of the ward councillors for that area) and Community Networks (made up of residents, businesses, partners and third sector organisations). Neighbourhood Investment Plans with draft priorities in place for each Community Panel area.
- A strategic food framework and Food Partnership have been established to champion the Right to Food and support the local food economy to be inclusive, resilient, sustainable, and fair for everyone.
- The Council approved a new set of Equality objectives and a policy statement setting out the Council's cross-cutting approach to addressing inequalities across Cumberland.
- A new Community Engagement Framework has been adopted to ensure the council is listening to, involving, and engaging with communities with further work being undertaken to develop approaches to co-production.

1: NARRATIVE REPORT

- There has been consistent 'on target' or 'better than target' performance in terms of processing housing benefit and council tax claims over the year.
- The Council successfully helped over 60% of people who presented as homeless, to secure a long-term tenancy.

Local economies that work for local people

- Business support and supply chain development programmes and funding schemes have been delivered by the Council through partners funded from the Council's UK Shared prosperity Fund and Rural England Prosperity Fund allocations. One example is the High Street Building Grant Scheme offering grants of up to £35,000 for landlords and businesses in Cumberland.
- The Council has continued to develop and deliver significant regeneration schemes across Cumberland's towns (with funding from Future High Streets, Town Deal, and Borderlands). Several projects have taken significant steps forward across Maryport, Millom, Cleator Moor, Workington, and Carlisle.
- Minor and householder planning applications were processed effectively with 95% and 98% respectively completed within the statutory 8 weeks at March 2024.
- The Council's Trading Standards team removed £22,700 worth of illicit products from sale over the year.
- The percentage of properties that have superfast broadband coverage has continued to increase slowly across the year.
- The Council has significantly increased the percentage of tenders advertised with at least 10% social value award criteria from 28% April-June 2023 to 80% Jan-March 2024.

Environmental resilience and climate emergency

- The Council has developed a new Climate and Nature Strategy setting out overall approach and programmes of work for 2024-2027.
- A Carbon Management Plan has been developed to help achieve decarbonisation of the council's estate.
- The Council has been successful securing £1,427,359 of funding from Active Travel England to support capital schemes across Cumberland to improve walking and cycling routes.
- Based on available figures for April-Dec 2023 over 50% of household waste was sent for reuse, recycling, or composting.
- The Council is committed to keeping Cumberland clean and tidy. A series of deep cleans in town centres were delivered to improve the local environment for our communities and the Council has worked to increase enforcement around fly tipping and other environmental crime.

Delivering excellent public services

- The Council has worked to deliver the Transition Plan to ensure the effective disaggregation, aggregation, and integration of services from legacy councils in line with timescales agreed in the Inter-Authority Agreement with Westmorland and Furness Council. Timescales for many areas have been brought forward to match the Council's ambitions of early accelerated disaggregation, with several functions disaggregating on 31 March 2024 rather than original deadlines in 2025 and 2026.

1: NARRATIVE REPORT

- The Council has developed Transformation Plan that aligns to the Council Plan and Medium-Term Financial Strategy to achieve the long-term financial sustainability of the Council, deliver high performing quality services that deliver better outcomes for our residents, and implements our agreed operating model. A portfolio of eight transformation programmes with a focus on ICT digital infrastructure, the Council's culture, people and resources, reducing our reliance on externally provided workforce, rationalising our assets, reviewing all major contracts, and a series of service reviews to drive efficiencies and improvements.
- A Recruitment and Retention Strategy is in place and a Workforce Planning Strategy has been developed to address the needs of the organisation with specific plans to address workforce capacity issues in shortage areas.
- The Council achieved good performance against target on pothole repairs from July-Dec 2023 but fell short of target during Jan-March 2024 when the Council saw a significant increase in reported potholes due to the very wet and sporadically cold quarter.
- Nearly 90% of public health service requests (pests, noise, smells, food, housing conditions) were responded to within target response times during the year.
- The Council has provided high performing waste collection service to its residents with over 99% of bins collected as scheduled throughout the year (99.95% Jan-March 2024).

4. Key risks and uncertainties

- 4.1 Risk management is an integral part of good governance to which the Council is committed. The Council's Risk Management Framework supports the consistent and robust management of risks and opportunities across the Council. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat, and the likely impact. The risk management process was subject to review and updating through 2023-24.
- 4.2 All risks are subject to regular monitoring and are escalated/de-escalated through Directorate Management Teams and the SLT. The Audit Committee receives updates on strategic risks and their management actions on a quarterly basis, details of which can be found on the Council's website. The Strategic Risk Register contains details of existing and planned controls to mitigate the risks identified.
- 4.3 Key risks faced by the Council included on the Strategic Risk Register in 2023-24 are summarised in the following table:

Strategic Risk	Main Mitigations
Cyber Security Arrangements - Risk that the Council will experience a significant cyber security incident.	• Participation in National Cyber Security Centre (NCSC) initiatives, including web check, public sector Domain Name System, Cyber Info Sharing Partnership, etc. • Ongoing assessment of cyber threat via security partners; the NCSC, Northwest Warning, Advice and Reporting Point (WARP) including weekly threat reports. NHS Cumbria Cyber Group in place. • Cumbria wide multiagency Local Resilience Forum (LRF) Cyber Security Subgroup to enable a rapid and coordinated response to any vulnerability incident. • In-house Cyber Response Team who have the specialist skills to rapidly respond to all cyber alerts.

1: NARRATIVE REPORT

Strategic Risk	Main Mitigations
Increasing demand on Children's Service - Risk that Children's Services will be unable to deal with further increases in demand	- Financial and performance management systems are firmly embedded and used across various Boards: Improvement and Development Plan; Improvement Board and Monthly Performance Clinics. - External Scrutiny and Support, including arrangements under the Children's Safeguarding Partnership, to review and scrutinise multi-agency performance. - Edge of Care children are regularly reviewed to ensure that our services are working with the right children to prevent unnecessary entry to care. - Children's Workforce Strategy (CWS), Preventative Strategy, Cumbria Safeguarding Children Partnership (CSCP) Neglect Strategy, Early Help (EH) Strategy and EH Panels. - Family Wellbeing Transformation Board to redesign the way we deliver prevention and EH services.
Deliver a Financially Sustainable Authority – Risk that the Council's revenue and capital budget is insufficient to fund current and future services.	- Active participation in specialist advisory services and national groups, e.g. Society of County Treasurers, North West Association of Directors of Adult Social Services (ADASS) Group, Local Government Association (LGA) and County Councils Network (CCN). - Modelling budgets and Medium-Term Financial Strategy (MTFS) financial implications of policy developments. Rigorous assessment and authorisation of significant areas of expenditure. - Budget monitoring process reporting monthly via Directorate Management Teams (DMT) and to Senior Leadership Team (SLT), focused upon the agreement of mitigating actions to control spending within approved budgets. - Improvement and Efficiency Board and the Transformation Programme Board monitor ongoing financial pressures and savings in service base budgets and the management mitigations to control budgets. - Assurance Board meets on a weekly basis to monitor the long-term delivery of savings and ongoing demand pressures within the MTFS.
Unsustainable demand and inability of Health and Social Care to keep people sufficiently safe - Risk that with increasing demand outstripping operational capacity and despite significant effort, targeted resources and finances being diverted to those people with greatest need and at highest risk, the Health and Social Care System is unable to keep all Adult Social Care customers sufficiently safe and supported and this is in relation to operational assessment and Occupational Therapy (OT) staff as well as the provision of care and support.	- Cumbria Safeguarding Adults Board (CSAB) and Safeguarding sub-group - Performance Quality and Assurance. Efficiency Board monitors progress against transformational / efficiency targets. - Weekly Adult Social Care (ASC) leadership team meetings to support and maintain services across common themes of Demand Management, Workforce and Market Sustainability. Supported by Performance Dashboard showing the demand, unmet need and pressures across ASC. - Monthly Care Quality and Governance Board. - North Cumbria Mental Health, Learning Disabilities and Neurodiversity Board. - Hosting arrangement in place for the Urgent Care Team, with connectivity to Lancashire and South Cumbria NHS Foundation Trust (LSCFT) and the South Integrated Care System (ICS) due to Millom.
Safeguarding of Adults - Risk that there may be a serious failure in protecting adults at risk of abuse or neglect and the local authorities statutory Safeguarding Adults duties are not met.	- Cumbria Safeguarding Adults Board (CSAB) and multi-agency Safeguarding Adults Procedure and Guidance in place. Also multi-agency Quality group meetings – Radar. - Performance reported weekly within Safeguarding Adults Service and Adult Social Care and Housing (ASCH) Leadership Team meetings. Risk issues also raised to identify early mitigation planning. - ASC training standards in place to define mandatory training. Safeguarding training programme. - Practice Learning Group (PLG) in place and overseen by the Principal Social Worker. - Weekly Safeguarding service interface meeting with North Cumbria Integrated Care (NCIC) health partners and Cumbria Police safeguarding hub.

1: NARRATIVE REPORT

Strategic Risk	Main Mitigations
Workforce capacity, strengths, skills and relationship - Risk that the Council does not have the workforce capacity, values, skills or relationships to deliver the Council Plan or statutory services	- Externally Provided Workforce (EPW) managed within each specific Directorate. - Leadership and Management Model in place, including coaching and mentoring. - Delivery Framework and Strategic Programmes in alignment with corporate values/ behaviours/ culture. - A proactive management approach to managing sickness absence. - Positive relationships established with Trade Unions and Legal colleagues to address disputes.
Culture - Risk that a failure to deliver the Operating Model within the culture, values and behaviours of the Council will negatively impact on the delivery of services and the Council Plan.	- Roll out of all workforce in person induction events to communicate Council values and Operating Model. - Visible leadership and communications. Question and Answer Teams sessions and Frequently Asked Questions. - Change Champions network which feedback to Senior Leadership Team (SLT), Extended Leadership Team (ELT) and Directorate Management Teams. - Assistant Director development programme and 'Being a Cumberland Manager' programme launched February 2024. - Service restructures underway for key priority transformation programmes, linked to organisational design 'Our Future Cumberland' programme.
Strategic Policy Framework - Risk that the existing strategic policy framework does not allow the Council to deliver on its aspirations, as set out in the Council Plan, or to meet statutory requirements.	- Mapping exercise of policy framework undertaken pre Vesting Day. Harmonisation of the policy framework continues, including prioritisation to meet statutory requirements. - Clear governance arrangements to be put in place to review and replace legacy guidance and policies. - Work continues to finalise the strategic oversight, guidance and tools for the implementation of the policy framework and ensure processes are embedded in accordance with the operating model.
Public Health Emergency - Risk that a further pandemic or major public health incident will cause significant harm and/or business continuity challenges	- Carried-forward Contain Outbreak Management Fund (COMF) resources have enabled us to retain a small outbreak control response availability for the remainder of 2023-24. - Flexible and responsive public health workforce and wider experienced staff as an additional resource. - Council Major Incident Plan. Good connectivity with UK Health Security Agency (UKHSA). Ongoing engagement over longer-term strategic arrangements. Mutual aid across neighbouring authorities. - Health Protection Oversight Group and Local Resilience Forum (LRF) Pandemic flu plan in place.
Opportunity Risk – Programme Management Office - Risk that the opportunities for transformation, transition and reform for the new Cumberland Council are not adequately exploited to achieve efficiencies and economies of scale and that the Council does not meet its objectives	- PMO governance framework includes SLT, Strategic Programme Panel and Assurance and Efficiency Board to provide oversight and reporting functions for the utilisation of the capitalisation allowance. - Business partners working with Directors and DMTs to understand planned transformation activity. - LGA funded external support was provided by Local Partnerships in January to March 2024 to review prioritisation, sequencing, critical path analysis and interdependencies of transformation programmes. £40m capitalisation direction in 2023-2024 and the £41m capitalisation direction for 2024-25.
Fraud - Risk that the Council falls victim to fraud, corruption, malpractice or error, by internal or external threats.	- Anti-Fraud, Bribery and Corruption and Confidential Reporting policies approved by Audit Committee June 2023. Established Whistleblower process for reporting fraud, including dedicated mailbox. - Delivery of Internal Audit plan provides assurances over compliance with financial regulations and management of fraud risk. Additional assurance from participation in National Fraud Initiative (NFI). - Targeted training delivered in relation to bank mandate fraud. - Vetting processes in place for recruitment. Code of Conduct for Members and Officers. Declaration of Interests and Gifts and Hospitality in place.

1: NARRATIVE REPORT

Strategic Risk	Main Mitigations
Information Governance - Risk of deliberate or unintentional loss/ disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation	• Core Data Protection and Information Security policies made available for Day 1, including Data Breach Reporting Policy, Process, Procedure and FAQs. Data sharing practices in place. • Records Management (RM) Policy, Retention and Disposal Schedule, and RM guidance available. • Cumberland Privacy Notice templates in place for both Hosted and Disaggregated Services. • Senior Information Risk Owner (SIRO) weekly meetings established, alongside SIRO Quarterly Performance Review meetings. • Data breaches, near misses, causes and actions collated into a central database, with each issue being evaluated to identify further targeted action and further shared learning.
Hosted Services - Risk that the hosted services established under the Local Government Reorganisation programme fail to provide the standard of deliverable expected.	• Inter Authority Agreement (IAA) (contract / SLA) between all organisations to establish a 'shared vision' about the objectives and support the basis on which programme / service deliverables. • Clear governance arrangements for the monitoring and development of the contract / SLA agreements. • Collaboration between councils to share the risks and benefits associated with the service. • Hosted Services working groups. Service Schedule (IAA), SLA / TOR. Performance reporting.

5. 2023-24 Budget and Medium-Term Financial Plan (MTFP)

- 5.1 The Council's General Fund (GF) Revenue and Capital Budgets for 2023-24 were approved by Cumberland Shadow Authority on 1 March 2023. This represented the first budget and MTFP for the newly formed unitary authority and set out the ambition of the Executive to create a council that engages and empowers residents whilst using our strengths, influence, and willingness to do things differently to improve the health and wellbeing of everyone in Cumberland.
- 5.2 The 2023-24 budget was set with a strong focus on building a strong foundation with a "safe and legal" transition from the four sovereign councils to the new single tier unitary authority.
- 5.3 In addition to the investment required to develop and progress a significant transformation programme, the financial costs associated with the disaggregation of the county council, such as duplication of statutory posts and maintenance of existing ICT systems, along with other transitional costs were included within the 2023-24 budget to ensure delivery of a safe and legal new council.

Setting the budget and MTFP

- 5.4 Key step taken in setting the 2023-24 Budget and MTFP included:
 - establishing the baseline budget for 2022-23 through the disaggregation of Cumbria County Council's budget and the aggregation of the three district Councils for Allerdale, Copeland and Carlisle City. This work was undertaken under the oversight of the Finance Theme Board which presented progress reports to Member Implementation Board (MIB) and Shadow Executive(s)
 - reviewing identified growth and savings from the existing (sovereign council) medium term financial plans for 2023-24 and the future years
 - reviewing 2022-23 financial monitoring reports to identify additional service pressures and demands, and impact of previous decisions

1: NARRATIVE REPORT

- reviewing and assessing the economic outlook and inflationary pressures on contracts, pay awards, energy costs etc.
- identifying efficiency opportunities arising from initial transition
- identifying and reviewing local government reorganisation (LGR) related pressures such as duplication of statutory posts and maintaining existing ICT services to ensure a safe and legal transition
- reviewing the funding position and underlying assumptions
- reviewing options around Council Tax harmonisation,
- incorporating announcements from the provisional local government finance settlement
- considering the feedback received from the budget consultation exercise.

Cumberland Transition and Transformation

- 5.5 In order to deliver the efficiencies required from LGR and from the rationalisation of service delivery across the area, there is a need to undergo service transformation to bring together and integrate the district and county services. This inevitably requires upfront expenditure to be incurred to deliver service changes and improvements leading to short-term financial pressure on the Council's budget that must be financed.
- 5.6 In addition to costs associated with transition and transformation, the Council is also impacted by the wider cost pressures facing all local authorities, with the pace of these cost increases typically outstripping the increases in the income it receives. Significant demand pressures in key service areas, such as Children Looked After (CLA), also continue to impact the budget.
- 5.7 As the appointment of Directors and Assistant Directors was still in progress at the time the 2023-24 budget was being developed and approved, this limited the Council's capacity to identify and develop savings plans and to implement the service changes required to deliver those savings. The focus of all existing staff had been on a safe and legal transition at vesting day and on running sovereign council services.
- 5.8 To support the LGR process, the sovereign councils set aside £19 million from existing reserves to establish the new unitary councils. This consequently reduced the capacity for Cumberland Council to utilise these reserves to finance budget pressures.
- 5.9 A request was therefore made to the Department of Levelling Up Housing and Communities (DLUHC) for exceptional financial support (EFS) to assist the council in managing the transition and transformation. This support allowed the Authority to use capital resources to fund the revenue expenditure required to establish the new council and kick-start its transformation plans.
- 5.10 In addition to LGR the 2023-24 budget was set in the context of:
- a challenging economic outlook, characterised by a slowdown in economic growth, persistent inflationary pressures and rising interest rates
 - continued uncertainty over longer-term funding of local government.

1: NARRATIVE REPORT

- 5.11 The 2023-24 budget accommodated significant growth pressures including those resulting from:
- the **Pay Award** for Council employees,
 - **Contractual Inflation uplifts** for externally provided services, including Children Looked After, Care Leaver and Adults service(s)/care provision, leisure facility managements, grounds maintenance, waste collection services, utilities, waste disposal and transport contract(s)
 - **Demographic pressures, growth in service demand and increased cost of service delivery**. This included Children Looked After Placements as the number of high-cost packages had increased during 2022-23, increased cost of providing Special Education Needs and Disability (SEND) transport following increased service demand and the cost of providing routes during the previous academic year and additional un-budgeted inflation pressures across the County Council 2022-23 budget.
- 5.12 2023-24 also saw Government's continued use of single year financial settlements for local government. This meant many of the funding announcements were for one-year only. As a consequence, the position for 2024-25 and beyond remained uncertain and potentially extremely volatile and challenging.

Medium Term Financial Strategy

- 5.13 An indicative Medium Term Financial Strategy (MTFS) and Medium-Term Financial Plan was published alongside the Authority's 2023-24 budget in March 2023. In line with the one-year finance settlement, this report set out a balanced one year only budget for 2023-24 along with an anticipated position for 2024-25 and 2025-26.

2023-24 Revenue Budget

- 5.14 Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure charged to the Authority's general fund expenditure is met from the following sources:
- Fees and charges
 - Government grants including unringfenced grants e.g. Revenue Support Grant
 - Council Tax and Business Rates
 - Reserves - General Fund Balances and Earmarked Reserves.
- 5.15 The Council's net revenue budget for 2023-24, inclusive of parish precepts and planned contributions to/from reserves, was set at £303.279m. This was subsequently increased by £18.789m to £322.068m to reflect:
- Parish precept expenditure of £4.954m
 - Additional service expenditure of £14.653m funded from the use of earmarked reserves
 - Addition of income of £7.000m relating to dividends receivable from Cumbria County Holdings Limited, less planned contribution to general fund balances (£7.000m), less
 - Reallocation of grants (see funding summary below) from unringfenced grants to services £818k (no net impact on budget).

1: NARRATIVE REPORT

5.16 The Council's 2023-24 revenue budget was funded as follows:

	Original £'000	Revised (Mid-year) £'000	Revised (Final) £'000
Revenue support grant	11,380	11,380	11,380
Social Care Grant	25,101	25,101	25,101
PFI Grant	11,882	11,882	11,882
Other government grants (Inc. New Homes Bonus)	7,225	6,407	6,407
Council tax - excluding parish element	152,883	152,883	152,883
Council tax - parish element	-	4,954	4,954
Collection fund surplus/(deficit) - Council Tax	(930)	(930)	(930)
NNDR funding (including s31 grant)	88,307	88,307	88,307
Collection fund surplus/(deficit) – Business Rates	(6,807)	(6,807)	(6,807)
Total funding available	289,041	293,177	293,177
Planned use of Earmarked Reserve Balances	2,515	13,375	17,168
Use of General Fund	11,723	11,723	11,723
Total Funding included in revenue budget	303,279	318,275	322,067

Funding Overview

5.17 The Council's net budget is funded from three main sources, council tax, business rates and government grants. In recent years central government grant funding has reduced and consequently, the ability to grow and maintain resources raised locally, such as council tax, has become even more important for financial sustainability. This is particularly important when considered against the backdrop of delayed local government funding reforms and a funding landscape characterised by one-off and short-term funding initiatives that undermine longer-term financial planning.

Council Tax

5.18 Council tax is the most stable, sustainable and significant source of income for the Council. The Council's capacity to generate income from Council tax is underpinned by the tax base (i.e. the number of Band D equivalent properties in the area) and the level of the Band D charge set by the Council.

5.19 The tax base for 2023-24 was approved by Shadow Authority on 26 January 2023 and incorporated the impact of the relevant council tax discounts, exemptions, and premiums as well as the impact of the council tax reduction scheme. The level of the Band D charge for 2023-24 incorporated both the increase in core council tax and adult social care precept, as well as the Council's approach to Council Tax Harmonisation.

Council Tax Harmonisation

5.20 Prior to local government reorganisation the three district Councils within the Cumberland Council area (Allerdale Borough Council, Carlisle City Council and Copeland Borough Council), set different levels of Council. The establishment of a single unitary council as a result of local government reorganisation meant setting a single level of council tax for the Cumberland Council area.

5.21 The process of establishing a single consistent Band D council tax charge across the Cumberland Council area is known as "harmonisation". The harmonisation process ensures residents whose properties are in the same valuation band now pay the same amount of Council tax.

1: NARRATIVE REPORT

- 5.22 In setting a harmonised level of Council Tax several options were considered, and modelled, including harmonisation:
- on a straight-line basis over periods of between one and eight years, whilst maintaining the current weighted average Band D Council Tax charge in order to protect the Council's overall council tax yield
 - to the lowest predecessor Council Tax charge - Allerdale Borough Council
 - to the highest predecessor Council Tax charge – Carlisle City Council
- 5.23 From the financial modelling, the option of harmonising at the lowest predecessor charge was discounted on the basis that the Council Tax yield would reduce by circa £2m. Harmonising at the highest predecessor charge was also discounted on the basis that it would potentially breach the referendum limits.
- 5.24 Straight line harmonisation was considered the most appropriate approach as it offered the fairest and simplest solution. Council Tax was therefore fully harmonised on 1 April 2023 at the weighted average Band D charge.

Council Tax Level

- 5.25 The 2023-24 Local Government financial settlement set the referendum thresholds for increases in Council tax in 2023-24 at 3% for the Authority's relevant basic amount of council tax plus a further 2% for increases in the adult social care precept. Any increase above these thresholds would be subject to a local referendum.
- 5.26 The 2023-24 budget was based on an average increase in the Band D council tax for Cumberland of 4.99%.

Non-domestic rates (NNDR) (Business Rates)

- 5.27 Under the business rates retention scheme, 49% of business rates (NNDR) collected is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria Police, Fire and Crime Commissioner (1%).
- 5.28 The scheme also provides for certain receipts to be treated as being outside the scheme and retained in their entirety by the Council. The Council is also able to retain the growth in the local share of business rates.
- 5.29 A system of top-up and tariffs ensures the Council's share of estimated business rates income (business rates baseline) does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding). Tariffs, top-ups, and baseline funding levels are normally indexed each year in line with the small business rates multiplier. Top-up, tariffs, and baseline amounts were also adjusted to ensure the impact of the 2022 revaluation was revenue neutral for local authorities.
- 5.30 As part of the 2023-24 provisional settlement central government announced its decision to freeze the business rates multiplier in 2023-24. Authorities were fully compensated for the freezing of the business rates multiplier by way of a grant payment made under Section 31 of the Local Government Act 2003.
- 5.31 The amount of business rates income available to the Council's general fund and taken into account when setting the budget, is based on an estimate made in January preceding the start of the financial year and included in the government return NNDR 1 (i.e. January 2023 for the 2023-24 Financial Year). The estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to Central Government and the Cumbria Police, Fire and Crime Commissioner during the course of the year.

1: NARRATIVE REPORT

- 5.32 The estimate of business rates income takes into consideration any projected changes in the NNDR tax base, estimated losses due to appeals and expected collection rates.
- 5.33 With amounts paid to central government and the Cumbria Police, Fire and Crime Commissioner, and the amount retained by the Council fixed at the outset of each year (based on the estimates included in the Council's NNDR 1 return) any difference between estimated amounts and the actual amounts receivable will result in a surplus, or deficit on the Council's Collection Fund. An estimate must therefore be made by the Council of the surplus or deficit on the Collection Fund at the end of the previous financial year. This estimated amount is then shared between the Council, Police, Fire and Crime Commissioner and central government and added (or subtracted) from each Authorities share of the following year's non-domestic rating income.
- 5.34 During 2022-23, there was a significant reduction in income collectable by Copeland Borough Council when compared with 2022-23 NNDR1 estimates submitted to DLUHC in January 2022. This was largely due to changes made to rateable values following a review by the Valuation Office during 2022-23. This resulted in a reduction in the amount of business rates collected from ratepayers in 2022-23 and contributed to the Collection Fund deficit estimated at 31 March 2023. To offset the fall in business rates income, generated by the requirement for the Authority to repay its share of the Collection Fund deficit when setting its 2023-24 revenue budget, amounts were appropriated to an earmarked reserve in 2022-23 and released in 2023-24 to offset the reduction in business rates income.

2023-24 Capital Budget

- 5.35 The Authority's 2023-24 capital budget (approved March 2023) was set at £214.107m. This included £40m of capitalised revenue costs associated with the Council's application to central government for exceptional financial support (capitalisation direction). This was part of a four-year capital programme totalling £359.601m. During the year the capital budget for 2023-24 was reduced to £188.884m to reflect:
- £73.674m budget carry forward from 2022-23
 - net in-year budget adjustments of £48.830m, including the addition of expenditure budgets associated with grant funding awarded after approval of the 2023-24 capital budget and the removal of budgets associated with grants repaid to funding bodies during the current year, less
 - reprofiling adjustments of £147.727m approved as part of the 2024-25 budget report.
- 5.36 Capital expenditure, included in the capital budget, covers expenditure on projects such as acquisition, construction and enhancement of property plant and equipment. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants).
- 5.37 Resources available to finance capital expenditure include:
- capital receipts (for example usable proceeds from asset sales)
 - grants and contributions from third parties
 - direct financing from revenue/use of general fund balances.
- 5.38 Capital expenditure that is not financed up-front from these resources will increase the Authority's underlying need to borrow, as measured by the capital financing requirement (CFR).

5.39 Significant projects within the 2023-24 capital programme include:

- £52.156m Carlisle Southern Link Road (CSLR)
- £5.194m High Needs Provision (Schools)
- £6.735m Prioritised Capital Maintenance Projects/Schools Maintenance
- £9.768m Additional Pothole Action/Roads funding
- £6.711m Non-Principal Road Network (NPRN)
- £7.958m Future High Streets projects – Carlisle and Maryport
- £12.355m Towns deal projects – Cleator Moor, Millom, Carlisle and Workington
- £6.055m for Disabled Facilities and Housing Grants
- £4.879m Sands Centre development and roof replacement
- £12.850m Exceptional Financial Support

6. Financial Performance

Financial Management: Revenue expenditure compared to budget

- 6.1 The table below shows the Authority's actual expenditure for 2023-24 compared to budget and how that expenditure was financed. A detailed report on the provisional 2023-24 outturn position - including commentary on reported variances - was presented to Cumberland Council's Executive on 17 September 2024.
- 6.2 For 2023-24, the complexities and considerations added to the closedown process as a result of local government reorganisation meant resolution of a number of issues impacting on the final outturn position remained in progress at the time of reporting the provisional (draft) 2023-24 revenue outturn position to the Council's Executive. Estimates were however included in the draft outturn position presented to the Executive in September 2024 for all unresolved matters. The report also noted that once these matters were resolved the final outturn position, including its impact on the Council's General Fund balances would be reported to members as part of the closedown and statement of accounts reporting process.
- 6.3 Matters in progress at the time of reporting the provisional (draft) 2023-24 revenue outturn position included:

Joint issues with Westmorland and Furness Council (W&F)

- settlement of legacy payments made by W&F, as caretaker authority, on behalf of Cumberland Council (repayable to W&F)
- closure and final allocation of items within the legacy Cumbria Council bank accounts

Cumberland only issues: banking and control

- final allocation of items transaction through Cumberland Council bank accounts
- final allocation of the apprentice levy

Cumberland only issues: technical

- Confirmation of the:
 - provisions required in respect of legal claims
 - allowance for expected credit losses on trade and other receivables
 - capitalisation of highways expenditure in accordance with proper practices

1: NARRATIVE REPORT

- accounting treatment of items of income and expenditure following alignment of accounting treatment adopted by sovereign councils.

6.4 Based on the draft outturn position, the general fund balance was projected to be £32.103m at 31 March 2024 with an allowance of £3.000m made for changes to the estimates included within this position. The updated estimate of the General Fund Balance at 31 March 2024, reported to Executive on the 11 September 2025 as part of the Draft Outturn for 2024-25, was £28,632k.

6.5 The final outturn position for 2023-24 is summarised below:

Summary Position against Budget – 2023-24

	Budget £'000	Actual £'000	Variance £'000
Chief Executive	241	249	8
Assistant Chief Executive	2,979	2,608	(371)
Business Transformation & Change Resources	15,142	19,210	4,068
Place, Sustainable Growth & Transport	54,743	43,492	(11,251)
Public Health & Communities	76,541	72,668	(3,873)
Adult Social Care & Housing	4,252	4,178	(74)
Children & Family Wellbeing	78,021	76,481	(1,540)
	68,865	77,701	8,836
Expenditure on services¹	300,784	296,587	(4,197)
Parish precepts	4,954	4,955	1
Net service expenditure	305,738	301,542	(4,196)
Taxation & Unringfenced grants	(293,177)	(292,708)	469
Net (surplus)/deficit for year	12,561	8,834	(3,727)
Use of Earmarked GF Balances to finance capital expenditure	2,078	693	(1,385)
Net charge/(credit) to GF	14,639	9,527	(3,727)

Outturn Variances

6.6 Net expenditure on services for the year to March 2024 was £,301.542m compared to a budget (excluding planned transfers to Earmarked reserves) of £305,738k resulting in a net favourable variance of £4.196m. Significant variances underpinning this position include:

- favourable variances in relation to treasury management (Resources Directorate), reflecting lower borrowing costs incurred and additional income from investments.
- adverse variance relating to the Children and Family Wellbeing Directorate most notably as a result of overspends incurred in relation to Cared for Children (CFC) and underpinned by overspends on the costs of homes for children and agency staff.

6.7 Parish precepts paid during the year totalled £4.954m. Parish precepts are fully funded from the Council Tax Precept levied on the Collection Fund.

6.8 Total income from taxation and un-ringfenced grants was £292,708k compared to a budget of £293,176k, resulting in an adverse variance of £469k.

1: NARRATIVE REPORT

- 6.9 To ensure sufficient resources are available to meet potential financial obligations in relation to un-budgeted but on-going ongoing legal actions brought against the Council and to provide sufficient temporary capacity to both deliver the Transformation Plan and deliver a balanced budget, the Executive approved the creation of an earmarked reserve totalling £5.058m.
- 6.10 The draft outturn position therefore reported a balanced budget, with the only use of unearmarked General Fund balances being the £11.722m approved when the budget was set and the contribution to balances of £7,000k relating to the dividend received from Cumbria County Holdings Limited. There was no additional unplanned use to support Revenue Budget.
- 6.11 Since the draft outturn position was reported, resolution of the outstanding issues referenced above has resulted in a closing General Fund balance at 31 March 2024 of £30.778m. This represents an adverse change of £1.325m when compared to the draft outturn position (£32.103m) reported to the Council's Executive.
- 6.12 The most significant items contributing to the £1,325k change relates to the allowance for expected credit losses on trade and other receivables of circa £1.665m along with a various smaller adjustments totalling (£340k).
- 6.13 The following table summarises the impact of the final outturn position on the Council's General Fund and Earmarked (general fund) balances.

Summary of movements in General Fund balances

	General Fund £'000	Earmarked (E/M) Reserves £'000	Total £'000
Balance brought forward at 1 April 2023	26,151	90,989	117,140
Impact of adopting new accounting standards	0	0	0
Balance at 1 April 2023	26,151	90,989	117,140
Net Transfers between GF and E/M balances	10,679	(10,679)	0
Planned use of GF to support the Revenue budget	(11,722)	0	(11,722)
Additional contribution to GF (CCH dividend)	7,000	0	7,000
Unbudgeted use of GF to support the Revenue Budget	(1,330)	0	(1,330)
Use of reserves to fund capital expenditure	0	(693)	(693)
Budgeted use of E/M Reserves - funding (NNDR)	0	(2,515)	(2,515)
Use of E/M Reserves to fund revenue expenditure	0	(11,321)	(11,321)
In year deficit transferred to ringfenced Schools Reserves	0	(3,333)	(3,333)
Planned/budgeted Transfers to/(from) E/M Reserves	0	9,329	9,329
Additional/un-budgeted transfers to/(from) E/M Reserves	0	5,058	5,058
Total planned/actual contributions to/(from) reserves	4,627	(14,154)	(9,527)
Balance carried forward	30,778	76,835	107,613

2023-24 revenue expenditure covered by exceptional financial support (EFS) - capitalisation

- 6.14 Critical to the delivery of balanced budget in 2023-24 was the award of exceptional financial support by central government to support transformation and transition costs following reorganisation.

1: NARRATIVE REPORT

- 6.15 Exceptional financial support does not provide the Council with additional funding it does however allow revenue expenditure to be capitalised and funded from capital resources (e.g. capital receipts and capital grants) or borrowing. Whilst the Secretary of State has yet to issue a formal Capitalisation Direction for 2023-24, the letter received from Government in March 2023, confirming the Secretary of State is 'minded to issue a Capitalisation Direction of a total not exceeding £40m', provides sufficient assurance that a formal capitalisation will be issued in due course. The statement of accounts for 2023-24 has therefore been prepared on the basis that a capitalisation direction permitting revenue expenditure to be capitalised will be issued.
- 6.16 The final outturn position for Cumberland consequently includes the capitalisation of £10.636m of revenue costs in accordance with the expected Capitalisation Direction. This includes £10.000m to meet Transition Pressures and £636k of transformation investment as summarised below:

Directorate	Transformation £'000	Transition £000	Total EFS £000
Business Transformation & Change (BT&C)			
Transformation	636	-	636
ICT	-	553	553
PMO	-	537	537
HR/OD	-	255	255
Business Transformation & Change	636	1,345	1,981
Resources	-	200	200
Children & Family Wellbeing	-	8,455	8,455
Total EFS	636	10,000	10,636

- 6.17 The most significant allocation of EFS to cover transitional pressures related to Children and Family Wellbeing Directorate as a result of cost and demand pressures and ongoing use of agency staffing. These costs were not included within the County Council's disaggregated base budget, or within the recurring pressures identified within the Cumberland base budget for 2023-24.
- 6.18 Budget reports, including the outturn position summarised above, are prepared on a statutory basis (also referred to as the funding basis) reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts, are summarised in the Expenditure and Funding Analysis (see note 6 to the financial statements).

1: NARRATIVE REPORT

Financial Management: Capital expenditure compared to budget

- 6.19 The following tables show capital expenditure in 2023-24 compared to budget and how that expenditure was financed.

Directorate	Current Budget £'000	Outturn ¹ £'000	Outturn Variance £'000	Budget C/Fwd £'000	Variance £'000
Capital expenditure					
Adult Social Care & Housing	15,876	9,448	(6,428)	5,881	(547)
Children & Family Wellbeing	20,010	9,885	(10,125)	10,182	57
Business Transformation & Change	1,382	19	(1,363)	228	(1,135)
Place, Sustainable Growth & Transport Resources	128,162	98,447	(29,715)	29,324	(391)
Exceptional Financial Support	10,604	3,562	(7,042)	6,195	(847)
	12,850	10,636	(2,214)	0	(2,214)
Total Capital Expenditure	188,884	131,997	(56,887)	51,810	(5,077)
Financing of Capital expenditure					
Capital Grants & Contributions	140,290	109,289	(31,001)	28,158	(2,843)
Capital Receipts	1,278	2,441	1,163	1,271	2,434
Revenue Contributions	2,190	805	(1,385)	310	(1,075)
Borrowing	45,126	19,462	(25,664)	22,071	(3,593)
Total Financing	188,884	131,997	(56,887)	51,810	(5,077)

¹£131,883k reported in draft revenue and capital outturn report plus adjustments of £114k

- 6.20 The Authority spent £131.997m on its capital programme in 2023-24 compared to the capital budget of £188.884m. This expenditure was financed through a combination of prudential borrowing, government grants, capital receipts and contributions from earmarked and unearmarked General Fund balances.
- 6.21 The variance (net underspend) between the current capital budget and outturn for the year was £56.887m. This variance is largely attributable to changes made to the profile of planned expenditure on schemes across financial years. These changes, identified after approval of the 2023-24 capital budget, will require £51.810m of the previously approved budget to be carried forward to 2024-25 together with the associated financing. Key elements of the underspend in 2023-24 and budget carry-forward include:
- £3.258m Cumbria Care Residential
 - £4.809m High Needs Provision (Schools)
 - £2.607m Future High Streets projects – Carlisle and Maryport
 - £3.110m Land/Port/Waste Statutory Standards
 - £4.441m Sands Centre
 - £8.558m Towns deal projects – Cleator Moor, Millom, Carlisle and Workington
 - £2.375m Vehicles. Plant & Equipment, less
 - £4.621m in year overspend relating to the Carlisle Southern Link Road (CSLR).

1: NARRATIVE REPORT

- 6.22 Budgets underspent/overspent in 2023-24 were, for the most part matched by corresponding adjustment to the 2024-25 budgets. The main exceptions relate to the underspends reported against the ICT Infrastructure/Investment (£1.363m underspend; less £0.228m carried forward), Inflation Risk (£1.183m) and EFS (£2.214m) capital budgets. In total this accounts for £4.532m of the reported residual variance of £5.077m.

7. Financial position at the Balance Sheet date

- 7.1 The following table summarises the Authority's financial position at 31 March 2024.

	At 1 April 2023 £'000	At 31 March 2024 £'000	Year on Year change £'000
Non-current assets	1,131,848	1,214,241	82,393
Net current assets: debtors, stock & cash less short-term creditors & liabilities	38,132	(6,312)	(44,444)
Long-term liabilities & provisions	(392,945)	(361,630)	31,315
Net assets	777,035	846,299	69,264
Represented by:			
Revenue reserves (General Fund & Earmarked)	(117,140)	(107,613)	9,527
Other useable reserves (capital)	(17,719)	(15,219)	2,500
Unusable reserves	(642,176)	(723,467)	81,291
Total Reserves	(777,035)	(846,299)	(69,264)

Significant balance sheet movements during 2023-24

- 7.2 During 2023-24:
- The carrying value of the Authority's non-current assets, including property, plant and equipment (PPE), investment property and long-term investments increased by £82.393m. Underpinning this increase is:
 - an increase in the carrying value of PPE of £80.646m, comprising a net revaluation uplift of £27.909m, additions of £105.846m and transfers of £398k, less depreciation of £50.317m, and disposals of £3.190m
 - an increase in the carrying value of Investment Property of £2.780m, comprising a net revaluation gain of £3,115k, additions of £563k less reductions of £500k and £398k in respect of disposals and transfers to PPE
 - an decrease of £764k in the carrying value of long-term investments following repayment of AIP notes (£225k) and the recognition of fair value losses on related to the Authority's holding of AIP loan notes (£413k) and units held in the CCLA Local Authorities Property Investment Fund £126k.
 - Net current assets reduced by £44.444m to £(6.321)m at 31 March 2024. The key items underlying this decrease in net current assets are:
 - £62.991m reduction in short-term investment balances – reflecting the Authority's Treasury investment Strategy and the use of shorter maturity investments to meet its liquidity requirements
 - a decrease in short-term debtors and prepayments of £4.637m

1: NARRATIVE REPORT

- an increase in cash and cash equivalents of £83.248m (see Cash Flow statement below)
- an increase in short-term borrowing of £8.724m reflecting the reclassification long-term borrowing to current (£15.706m), less loan repayments of £6.885m and movements in accrued interest and other accounting adjustments included in the carrying value of loan debt (£97k)
- an increase in short-term creditors of £49.996m.
- Long-term liabilities decreased by £31.315m, underpinned by
 - the reclassification of borrowing (£15.706m) and PFI and lease liabilities (£3.734m) from long-term to short-term (current) liabilities)
 - a decrease in the net defined benefit pension liability of £2.147m (see commentary below) and
 - a reduction in long-term liabilities of £8.417m reflecting the reclassification of capital grants and contributions received in advance to current liabilities.

Valuation of non-current assets

- 7.3 The Authority carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets required to be measured at current value are:
- revalued at intervals of not more than five years
 - reported in the balance sheet at a carrying amount that does not differ materially from that which would be determined using the assets current value at the balance sheet date.
- 7.4 In 2023-24, revaluations were carried out on a range of Property plant and equipment assets representing around a third of the PPE assets measured at current value. This included:
- public conveniences
 - sports & leisure centres
 - elderly persons homes
 - community schools
 - surplus land and buildings.
- 7.5 The revaluation exercise resulted in the recognition of net revaluation gains of £27.909m, comprising gains of £29.652m credited to the revaluation reserve, and losses of £1.743m charged to the Comprehensive Income and Expenditure Statement (CIES) and reversed out to the Capital Adjustment Accounts within the Movement in Reserves Statement.
- 7.6 Investment Property and Assets Held for Sale are revalued annually. During 2023-24, the fair value of the Authority's investment properties increased by £3.115m. This increase was underpinned by a rise of £4.503m in the value of retail properties, vacant land and industrial sites, offset by a reduction of £1.388m in the value of residential and commercial lettings and managed industrial estates.

Defined Benefit Pensions Asset/Liability

- 7.7 The Authority offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Authority has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.
- 7.8 At 31 March 2024 the net defined benefit pension liability was £20.917m (1 April 23.064m). This comprises:
- £11.337m in respect of the local government pension scheme (unfunded obligations), and
 - £9.580m related to additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.
- 7.9 At 31 March 2024, the Authority's share of plan assets in the Cumbria Local Government Pension Scheme exceeded the Authority's defined benefit pension obligation (calculated in accordance with the requirements of IAS 19 and the Code of Practice on Local Authority Accounting) by £187.895m (i.e. a net pension asset). This compares with a net pension asset at 1 April 2023 of £102.651m.
- 7.10 Under the Code of Practice and IAS 19, measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2024, the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling is calculated as £nil.
- 7.11 The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- 7.12 Underpinning the £2.147m movement in the net pension liability/asset (including the impact of the asset ceiling adjustment) during 2023-24 is:
- a £17.455m increase in the defined benefit liability, reflecting
 - interest, current service costs and past service costs of £88.709m,
 - past service costs and curtailments £1.259m
 - contributions by scheme participants of £10.119m, less
 - remeasurements of £27.239m comprising actuarial gains associated with changes to the financial and demographic assumptions used to calculate the defined benefit liability of £20.674m and £16.551m respectively, less experience losses (relating to pension increases, inflation and other assumptions) of £9.986m
 - benefits paid of £55.393m.
 - an increase of £103.728m in the carrying value of the Authority's share of scheme assets reflecting:

1: NARRATIVE REPORT

- re-measurement gains of £51.070m, relating to the difference between the actual investment return on plan assets (£117.144m) and the net interest on plan assets included in the CIES (£66.074m),
- an increase of £109.316m relating to net interest on plan assets of £66.074m and contributions (employer and employee) of £43.242m, less
- benefits paid out and administration costs of £56.658m.
- an increase in the asset ceiling adjustment of £84.126m.

Short and Long-term Borrowing

- 7.13 At 31 March 2024, the Authority's external borrowing (inclusive of accrued interest and remeasurements) stood at £256.632m (1 April 2023: £263.614m). The main components of this balance are PWLB debt of £240.071m (1 April 2023: £247.044m) and commercial (LOBO) loans of £16.464m (1 April 2023: £16.472m). During the financial year the Authority made scheduled repayments of £6.885m to the PWLB. No new external borrowing was undertaken during 2023-24.

Revenue Reserves

- 7.14 At 31 March 2024, un-earmarked general fund reserves totalled £30.778m (1 April 2023: £26.151m) and earmarked revenue reserves £76.835m (1 April 2023: £90.989m). Earmarked reserves include amounts set aside:
- to meet planned future expenditure - including budgets carried forward to meet existing commitments
 - to ring-fence unspent revenue grants where there are restrictions on use
 - as a contingency to cushion the impact of unexpected events or transactions.
- 7.15 Details of the movement in the Authority's revenue reserves during the year are summarised in the following tables:

General Fund (GF)	Budget £'000	Actual £'000	Variance £'000
Balance at 1 April 2023	26,151	26,151	0
Revenue surplus/(deficit) for year - revenue	(12,561)	(8,834)	(1,330)
Use of GF reserves to fund capital expenditure	(2,078)	(693)	0
Total Surplus/(deficit) for year	(14,639)	(9,527)	(1,330)
Net transfers between E/M and GF	20,596	14,154	0
Net transfer (to)/from Earmarked Reserves	20,596	14,154	0
Balance at 31 March 2024	46,747	30,778	(1,330)

1: NARRATIVE REPORT

Earmarked Reserves (E/M)	Budget £'000	Actual £'000	Variance £'000
Balance at 1 April 2023	90,989	90,989	0
Transfers to/(from) General Fund:			
Use of reserves to fund revenue expenditure	(14,653)	(11,321)	3,332
Use of Earmarked reserves – funding (NNDR)	(2,515)	(2,515)	0
In year deficit transferred to ringfenced Schools Reserves	0	(3,333)	(3,333)
Use of reserves to fund capital expenditure	(2,078)	(693)	1,385
Total used in year	(19,246)	(17,862)	1,384
Transfers (to)/from General Fund:			
Planned/budgeted transfers to/(from) E/M Reserves	9,329	9,329	0
Additional/unbudgeted transfers to/(from) E/M Reserves	0	5,058	5,058
Net transfers to/(from) E/M Reserves to General Fund	(10,679)	(10,679)	0
Total Transfers to/(from) Earmarked Reserves	(1,350)	3,708	5,058
Net transfer (to)/from General Fund	(20,596)	(14,154)	6,442
Balance at 31 March 2024	70,393	76,835	6,442

- 7.16 The General Fund balance at 31 March 2024 of £30.778m incorporates the Authority's agreed minimum retained balance of £25.000m held to provide a contingency to protect services against unexpected events or emergencies, cushion uneven cash flows and avoid unnecessary temporary borrowing.

Other usable reserves

- 7.17 Other useable reserves comprise Capital Receipts Unapplied and Capital Grants Unapplied. During the year, the Authority generated capital receipts of £773k from the sale of property and repayment of capital grants. The repayment of AIP loan notes added a further £225k to the Capital Receipts Unapplied balance. Capital receipts of £2.441m were applied to finance the 2023-24 capital programme. The balance of capital receipts at 31 March 2024 is £11.382m. This includes amounts committed to finance capital expenditure in 2024-25 and future years.
- 7.18 At 1 April 2023, the balance of capital grants unapplied was £4.894m. During the year capital grants totalling £109.289m were applied to finance capital expenditure. This includes £2.954m relating to unapplied grants received prior to 1 April 2023. The Authority also credited grants received of £1.897m to the capital grants unapplied account during 2023-24 leaving a balance at 31 March 2024 of £3.837m. This balance is committed to finance capital expenditure in 2024-25 and subsequent years.

Unusable Reserves

- 7.19 Unusable reserve balances increased by £81.291m during 2023-24. The main components of this movement were:
- £23.756m Revaluation Reserve increase
 - £54.252m Capital Adjustment Account increase
 - £3.972m reduction in the Collection Fund Adjustment Account balance reflecting for the most part, the Authority's share of the reduction in the Cumulative Collection Fund Deficit during 2023-24

1: NARRATIVE REPORT

- £ 2.147m reduction in the deficit balance on the Pension Reserve – mirroring the movement in the net pension liability summarised above, less.
- £1.833m increase in the deficit balance on the Dedicated Schools Grant (DSG) Adjustment Account.

7.20 The reported movement in the Revaluation reserve balance comprises:

- revaluation gains and losses associated with the revaluation during 2023-24 of property plant and equipment of £29.652m
- amounts written out to the capital adjustment account to reflect the difference between fair value depreciation and historical cost depreciation (£5.446m) and accumulated revaluation gains on assets sold or scrapped (£450k).

7.21 The £54.252m increase in the Capital Adjustment Account (CAA) balance reflects the statutory accounting adjustments required to reconcile the treatment of capital expenditure for accounting purposes with that required under the statutory control framework for financing purposes. These include entries made to reverse out items relating to capital expenditure included in the CIES (such as depreciation) and recognise the statutory accounting entries associated with the setting aside resources to finance capital expenditure. Note 19.2 provides details of the items underlying the reported movement in the CAA balance.

7.22 The deficit reported on the Dedicated Schools Grant Adjustment Account at 31 March 2024 was £14.123m, compared to a deficit balance of £12.290m at 1 April 2023. The in-year movement of £1.833m comprises:

- a £2.604m overspend on the centrally retained share of dedicated schools grant, offset by
- an underspend of £771k on DSG allocated to Individual school budgets.

7.23 Components of the reported overspend are summarised in the following table:

Allocation	High Needs Block £000	Early Years Block £000	Central Schools Services Block £000	Total £000
Individual Schools	12	(784)	1	(771)
Centrally retained share	2,834	0.00	(230)	2,604
Over/(under) spend	2,846	(784)	(229)	1,833

7.24 Underpinning the overall overspend of £1.833m is an overspend of £2.846m related to the high needs block of the Dedicated Schools Grant (DSG). This relates to funding for pupils with special educational needs and disabilities (SEND) in mainstream, special schools and independent specialist providers. This includes funding for places in special schools, resource units and alternative provision, and top up funding for pupils with Education, Health and Care Plans (EHCPs) in all settings including academies, independent special schools and further education colleges. The overspend against the high need block reflects in large part the growth - both nationally and locally- in demand for Education Health Care Plans (EHCPs) for children and young people with special educational needs.

1: NARRATIVE REPORT

7.25 The underspend against other DSG budgets of (£1.013m) comprises:

- £0.784m underspend against the Early Years Block (i.e. the portion of DSG that funds the various free early years childcare and education entitlements) - due mainly to a difference between the actual take-up of 2, 3 and 4 year-old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation
- £0.229m underspend the schools block - the main source of revenue funding for mainstream schools - underpinned by an underspend against the School Contingency Fund of (£0.363m).

8. Cash flows

8.1 During 2023-24, 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 £83.248m.

	2023/24 £'000
Net Cash Flows from Operating Activities	11,875
Net Cash Flows from Investing Activities	78,738
Net Cash Flows from Financing Activities	(7,365)
Net increase/(decrease) in Cash & Cash Equivalents	83,248

8.2 The net cash inflow from operating activities totalled £11.875m. The key items underpinning the net cash outflow from operating activities during 2024-24 are:

- net surplus on the provision of services - £39.904m
- adjustments for non-cash items included in the surplus or (deficit) on the provision of services including:
 - depreciation and revaluation adjustments of £52.183m
 - a decrease in debtors of £4.746m
 - an increase in creditors of £10.519m

less

- capital grants credited to surplus or deficit on the provision of services of £94.839m.

8.3 Significant cash flows underpinning the net cash inflow from investing activities of £78.738m include:

- cash outflows of £92.825m associated with the purchase of property plant and equipment and investment property
- cash inflows of £81.139m from the receipt of capital grants. and £62.991m from of short-term investments maturing during 2023-24
- receipts of £21.007m received from Westmorland and Furness Council in respect of the Authority's share of cash and cash equivalent balances of the former Cumbria County Council
- receipts of £6.185m from the sale of from the sale of property plant and equipment and investment property.

1: NARRATIVE REPORT

8.4 Net cash outflow from financing activities of £7.365m comprises:

- a net cash inflow of £5.185m associated with payments made to/from central government and major preceptors, in respect of precepts and settlement of the previous year's surplus or deficit on the Collection Fund, and their respective shares of council tax and business rates collected
- a cash outflow of £6.885m relating to scheduled loan repayments
- a cash outflow of £3.017m relating to the repayment of service concession (PFI) and finance lease liabilities
- a cash outflow of £2.648m relating to funds administered by the Authority on an agency basis. This includes the balance of funding received in respect of Council Tax Rebate & Energy Support Funding and various business support schemes implemented by central government in response to the Covid-19 pandemic and administered by the Authority.

9 Collection Fund

- 9.1 Overall council tax income receivable in 2023-24 was £193.887m, net of discounts, reductions, exemptions and reliefs awarded to local taxpayers.
- 9.2 Under statutory provisions, the amount of council tax income available to the Authority's General Fund is fixed at the level determined when the council tax is set. Whilst this isolates the General Fund from the immediate impact of in year fluctuations in the amount of council tax collected, it also means any variation between expected and actual council tax collected will result in a surplus or deficit on the collection fund that must be taken into account when setting the budget for the following year.
- 9.3 The net charges made against income totalled £193.042m and related to precepts paid from the Collection Fund to major preceptors (Cumberland Council, Police and Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority, adjustments for write-off and doubtful debt allowances and Contribution towards previous year's estimated deficit. This resulted in a surplus for the year of (£845k).
- 9.4 At 1 April 2023, the cumulative deficit on the Collection Fund in respect of council tax was £1.732m. At 31 March 2024 the deficit was £887k. The Council's share of that deficit is £752k.

Business Rates (NNDR)

- 9.5 Overall Business rates income receivable in 2023-24 was £101.136m.
- 9.6 As with council tax, the Authority's demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year, based on estimates for the forthcoming year and included in the government return NNDR 1. Amounts paid to Central Government and Cumbria Commissioner Fire & Rescue Authority in respect of their respective shares of business rates income are similarly fixed prior to the outset of each year. As a consequence, any difference between estimated amounts and the actual amounts receivable will result in a surplus or deficit on the Council's Collection Fund.
- 9.7 Consistent with the estimates of business rate income for 2023-24 reported to government on form NNDR 1 prior to the start of the year, total payments made from the Collection Fund to Cumberland Council, Central government and Cumbria Commissioner Fire & Rescue Authority totalled £106.033m. Other items charged or credited to the Collection Fund in respect of business rates totalled £13.345m. These items include income of £13.614m in respect of the contributions made by precepting

bodies towards previous year's estimated deficit and Transitional Protection Payments receivable of £3.738m, less expenditure related to the Cost of Collection, Interest, Disregarded Amounts, Write-off of uncollectable amounts, Movement in impairment allowance and Movement in provision for NNDR appeals. This has resulted in a surplus for the year of (£8.448m).

- 9.8 At 1 April 2023, the cumulative deficit on the Collection fund in respect of business rates was £16,001k. At 31 March 2024, the deficit in respect of business rates was of £7,553k. The Council's share of that deficit is £3,725k.

10. The Financial Statements

- 10.1 The Statement of Accounts summarises the Authority's transactions for the 2023-24 financial year and its financial position at 31 March 2024. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, supported by International Financial Reporting Standards (IFRS).
- 10.2 The Statement of Responsibilities for the Statement of Accounts (page 32) sets out the responsibilities of the Authority and Authority's Chief Financial Officer in relation to the Statement of Accounts.

Financial Statements

- 10.3 The Financial Statements, set out in sections 2 to 5, consist of:
- Single entity (Authority only) financial statements comprising:
 - (i) Comprehensive Income and Expenditure Statement for the period
 - (ii) Movement in Reserves Statement for the period
 - (iii) Balance Sheet as at the end of the period
 - (iv) Cash Flow Statement for the period
 - (v) Notes, comprising significant accounting policies and other explanatory information
 - (vi) Accounting policies
 - Collection Fund and related notes (section 4).

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 Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Authority's reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices (Total Comprehensive Income and Expenditure) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net

Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

Balance Sheet

- 10.6 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.
- (i). Usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
 - (ii). Unusable reserves, i.e. those that cannot be applied to fund expenditure or reduce taxation. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

- 10.7 This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Collection Fund

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

Glossary

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

[1] Cumberland Council's Responsibilities

The Authority is required to:

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

[2] The Chief Finance Officer's Responsibilities

The Chief Finance Officer (the Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Chief Finance Officer has also:

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

[3] Status of the Statement of Accounts

The Statement of Accounts accompanying this statement is currently unaudited and therefore may be subject to change.

[4] 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 Authority at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Catherine Bell FCCA
Chief Finance Officer (Section 151 Officer)
Cumberland Council

Dated: 7 October 2025

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

1: AUDITOR'S REPORT

This page has been intentionally left blank

Unaudited

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	2023/24		
		Gross Expenditure £'000	Gross Income £'000	Net £'000
Chief Executive		252	0	252
Assistant Chief Executive		2,770	(181)	2,589
Business Transformation & Change		30,449	(10,791)	19,658
Resources		116,791	(71,029)	45,762
Place, Sustainable Growth & Transport		141,746	(49,546)	92,200
Public Health & Communities		24,212	(21,006)	3,206
Adult Social Care & Housing		177,075	(93,013)	84,062
Children & Family Wellbeing		310,749	(219,687)	91,062
Cost of Services		804,044	(465,253)	338,791
Other Operating Expenditure	9			8,529
Financing & Investment Income & Expenditure	10			4,295
Surplus or deficit on discontinued operations				0
Taxation and non-specific grant income & expenditure				(391,519)
(Surplus) or Deficit on Provision of Services				(39,904)
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services				
(Surplus)/deficit on revaluation of non-current assets				(29,652)
Remeasurement of the net defined benefit liability	38			292
Other Comprehensive Income & Expenditure				(29,360)
Total Comprehensive Income & Expenditure				(69,264)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Authority's reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year after making those adjustments.

2023/24	General Fund Balance ¹	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 18)	Unusable Reserves (Note 19)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2023 (Vesting Day)	(117,140)	(12,825)	(4,894)	(134,859)	(642,176)	(777,035)
Surplus or (deficit) on provision of services	(39,904)	0	0	(39,904)	0	(39,904)
Other Comprehensive Income and Expenditure	0	0	0	0	(29,360)	(29,360)
Total Comprehensive Income and Expenditure	(39,904)	0	0	(39,904)	(29,360)	(69,264)
Adjustments between accounting basis & funding basis under regulations (note 18)	49,431	1,443	1,057	51,931	(51,931)	0
Net Increase/(Decrease) in Year	9,527	1,443	1,057	12,027	(81,291)	(69,264)
Balance at 31 March 2024	(107,613)	(11,382)	(3,837)	(122,832)	(723,467)	(846,299)

¹ The general fund balance at 31 March 2024 comprises earmarked balances of £76,835k and un-earmarked general fund balance of 30,778k.

Balance Sheet

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

	Note	At 31 March 2024 £'000
Property, Plant & Equipment	20	1,030,201
Heritage Assets	21	28,516
Investment Property	22	149,896
Intangible Assets	-	305
Long-term Investments	26	4,708
Long- term Debtors	-	615
Defined Benefit Pension Scheme	35	-
Long-term (Non-Current) Assets		1,214,241
Short-term Investments	-	0
Assets Held for Sale	-	0
Inventories	-	1,070
Short-term Debtors	25	110,203
Prepayments	-	15,780
Cash and Cash Equivalents	27	127,375
Current Assets		254,428
Bank Overdraft	27	(4,785)
Short-term Borrowing	28	(18,694)
Short-term Creditors	29	(139,335)
Contract and Other liabilities	30	(88,664)
Provisions	31	(9,262)
Current Liabilities		(260,740)
Long-term Creditors	32	(89,909)
Other Long-term liabilities	33	(10,670)
Provisions	31	(2,196)
Long-term Borrowing	28	(237,938)
Defined Benefit Pension Scheme	35	(20,917)
Long-term Liabilities		(361,630)
Net Assets		846,299
Usable Reserves	18	(122,832)
Unusable Reserves	19	(723,467)
Total Reserves		(846,299)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	2023/24 £'000
Net surplus or (deficit) on the provision of services	-	39,904
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	38	67,380
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	(95,398)
Net cash flows from Operating Activities		11,875
Net cash flows from Investing Activities	39	78,738
Net cash flows from Financing Activities	40	(7,365)
Net increase or (decrease) in cash and cash equivalents		82,248
Cash and cash equivalents at the beginning of the reporting period	27	39,342
Cash and cash equivalents at the end of the reporting period	27	122,590

1. Statement of Accounting Policies – Basis of Preparation

Single entity (Authority only) accounts

The Statement of Accounts summarises the Authority's transactions for the 2023-24 financial year and its financial position at 31 March 2024. The Accounts and Audit (England) Regulations 2015 (as amended) require the Authority to prepare for each financial year, a statement of accounts in accordance with proper practices. Under section 21(2) of the Local Government Act 2003, these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (the Code), supported by International Financial Reporting Standards (IFRS).

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

Significant accounting policies adopted in the preparation of the Authority's single entity (Authority only) financial statements are set out in section 5. The policies disclosed have been consistently applied to all the years presented, unless otherwise stated.

2. Changes to Accounting Policies and Prior Period Adjustments

2.1 New or amended accounting standards adopted in 2023-24

The 2023-24 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 2023:

Narrow Scope Amendments to IFRS:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 - Reference to the Conceptual Framework.

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

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

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

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

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

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

2: FINANCIAL STATEMENTS

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

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

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

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

Amendments to IAS 8 – Definition of Accounting Estimates

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

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

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

The amendments also clarify:

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

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

The amendments are effective for annual reporting periods beginning on or after 1 April 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period (i.e. the accounting period in which the amendments are first adopted).

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

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

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

Under IAS 12 an entity is exempt from recognising a deferred tax liability when it arises from the initial recognition of an asset or liability in a transaction which is not a business

2: FINANCIAL STATEMENTS

combination and, at the time of the transaction, it has no effect on either accounting or taxable profits.

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

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

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

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

Amendments to IFRS 3 - Reference to the Conceptual Framework

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

The amendments also add to IFRS 3:

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

The amendments apply prospectively to transactions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 April 2023.

3. Critical Judgements made in applying Accounting Policies

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

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

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

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

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

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

ii Determination of Group Boundary and requirement to prepare Group Accounts

Determining the group boundary and confirming the need to prepare group accounts requires the Authority to make judgements to establish whether it has control, joint control or significant influence over entities in which it has an interest and/or investment, in accordance with the definitions and guidance set out in the Code and International Financial Reporting Standards (IFRS). This includes guidance contained in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures. The requirement to prepare Group Accounts also requires the Authority to consider the materiality those interests, having regard to both qualitative and quantitative aspects of materiality.

a. Consolidation of charitable organisations controlled by the Authority

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

The Code does not make any specific comments on the consolidation of charitable organisations in local authority financial statements. Local authorities are therefore required to follow the requirements of IFRS 10 in the Code and, where material, consolidate any

2: FINANCIAL STATEMENTS

charitable trust or fund where an authority meets the three criteria for control identified above.

The Authority is the sole trustee of:

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

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

In forming this judgement, the Authority has taken into consideration its:

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

(b) Application of the Code and IAS 28 to Non quantifiable ownership interests

The Code and IAS 28 defines an associate is an entity over which an investor (i.e. a reporting authority) has significant influence. Investor relationships are not defined further in the Code or in IAS 28. In applying the definition of an associate and in its use of the equity method, the Authority has, as directed by the Code, relied on guidance contained in IPSAS 36 Accounting for Investments in Associates and Joint Ventures.

Under IPSAS 36 application of the standard is restricted to investments in which the investor has significant influence over, or joint control of, an investee and which leads to the holding of a quantifiable ownership interest. Quantifiable ownership interests include ownership interests arising from investments in the formal equity structure of another entity. i.e. share capital, an equivalent unitised form of capital or other ownership interests that can be measured reliably.

The Authority is a member of two companies limited by guarantee and not having a share capital: Energy Coast West Cumbria Limited and Energy Coast West Cumbria (Workspace) Limited. As a member of these companies the Authority holds more than 20% of voting rights. It also has representation on the Board of Directors of each company. This fact pattern would usually evidence the existence of significant influence. However, neither company has a share capital or other form of unitised capital structure. It is also noted that the memorandum and articles of association of both companies prohibit the distribution of profits and residual assets to members. The Authority has therefore concluded that its interest in Energy Coast West Cumbria Limited and Energy Coast West Cumbria (Workspace) Limited does not result in a quantifiable ownership interest and that accordingly the Code's Group Accounts requirements do not apply. Both companies have consequently been excluded from the group boundary and from the Authority's (Group Accounts) materiality assessment.

Following determination of the group boundary the Authority has assessed the materiality of its interests in subsidiaries, associates and/or joint ventures, individually and collectively having regard to both qualitative and quantitative aspects of materiality. This includes consideration of the extent to which the Authority depends on these entities to provide statutory services, the Authority's exposure to commercial risk, and the extent to which control of the Authority's assets is transferred. Quantitative assessment includes evaluating

2: FINANCIAL STATEMENTS

the impact of consolidating the Authority's interests in subsidiaries, associates and joint ventures accordance with the Code. Following this assessment the Authority has concluded that its interests in subsidiaries, associates and/or joint ventures conclusions are not material and that consequently preparation of Group accounts is not required.

Further information relating to the Authority's interests in subsidiaries, associates and joint ventures is set out in notes 47 and 48.

Accounting for Schools – Balance Sheet Recognition of Non-Current assets used by Schools

The recognition of non-current assets used by local authority-maintained schools is determined in accordance with the Code's definition of an asset and with the relevant standards adopted by Chapter 4 (Non-current Assets) of the Code as appropriate to the arrangements pertaining to the assets. These include the Code's adoption of IAS 16 Property, Plant and Equipment contained in section 4.1 and section 4.2 Leases and Lease Type Arrangements (the Code's adoption of IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease).

Non-current assets (including land and buildings) used by schools (as entities) are recognised on the Authority's Balance Sheet (either directly or by consolidation of the schools' non-current assets) if the appropriate recognition criteria are met by the local authority or by a school within the Authority's area.

The Authority recognises land and buildings used by schools on its Balance Sheet where it directly owns the assets, or the school or school governing body own the assets. Land and building assets used by a school but owned by an entity other than the Authority, school or school governing body are not included on the Authority's Balance Sheet except in circumstances where the entity has transferred the rights over the property that pass control of economic benefits and service potential to the to the Authority, school or school governing body.

The table below sets out the number and type of schools within the Council' area at 31 March 2024.

Type of school	Primary No	Secondary No	Nursery No	Special No	PRU No	Total No	On Balance sheet No	Off Balance Sheet No
Community	58	4	3	1	2	68	68	0
Voluntary Controlled (VC)	25	1	0	0	0	26	0	26
Voluntary Aided (VA)	22	2	0	0	0	24	0	24
Foundation	8	0	0	0	0	8	6	2
Total Maintained	113	7	3	1	2	126	74	52
Academies	32	11	0	1	0	44	0	44
Total	145	18	3	2	2	170	74	96

In applying the recognition criteria outlined above, the economic benefits and service potential of non-current assets owned by the Authority and used by community schools, maintained nursery schools and community special schools are deemed to be within the control of the local authority or of the school that uses the assets, and are therefore recognised on the Authority's balance sheet.

2: FINANCIAL STATEMENTS

Legal ownership of land and buildings used by Vountary Controlled, Voluntary Aided and some foundation schools normally rest with trustees, often allied to a religious body (e.g. dioceses or other charitable body). These assets are typically used by schools under “mere” licences which pass no ownership interest to the school and are terminable by the trustees at any time without causal action. In most cases there is no reassignment of rights for property owned by religious bodies and occupied by voluntary aided, voluntary controlled and some foundation schools that would pass control of economic benefits and service potential to the Authority, the schools as entities or their governing bodies.

Following a review of the ownership and terms of use for property assets occupied by the Authority’s voluntary aided (VA), and voluntary controlled (VC) schools, the Authority has concluded that the relevant recognition criteria have not been met and that consequently the assets are not recognised on the Authority’s balance sheet.

The balance sheet recognition of Foundation school assets is dependent on whether the school or the local authority has control over the resources inherent in the asset as a result of rights that are both enforceable and substantive. Foundation school property assets are (subject to meeting the appropriate asset recognition tests) typically included on the Authority’s balance sheet where assets are owned by governing body. Where other arrangements are in place including where ownership resides with separate trustees, the assets are not included on the Authority’s balance sheet unless the terms under which the property is made available to schools indicate that substantive and enforceable rights to the asset’s economic and service potential has been assigned to the governing body.

Under the School Standards and Framework Act 1998 Academies fall out with the definition of maintained schools under the Council’s control. The land and building assets related to academy schools are not included on the Council’s Balance Sheet.

Private Finance Initiatives (PFI) and Public Private Partnership (PPP) Arrangements

The Authority is party to two service concession arrangement in relation to the Carlisle Northern Development Route (CNDR) PFI scheme, and the Waste Public-Private Partnership. The Authority has evaluated these contacts under IFRIC 12 and the Code and concluded that the Authority:

- a) controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and where
- b) controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The arrangements are therefore deemed to fall within the scope of section 4.3 of the Code of Practice on Local Authority Accounting with the service concession assets accounted for on balance sheet in a manner that is consistent with the Code’s adaptation of IFRIC 12 *Service Concession Arrangements*.

Leases

The Authority 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. The Authority has examined its leases, and arrangements that have the substance of a lease and classified these agreements 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 classification of each lease as either a finance or operating lease.

2: FINANCIAL STATEMENTS

Note 42 contains the details of the Council's finance and operating leases. At 31 March 2024 the liability in respect of assets held under finance leases was £260k. The net book value of those assets was £337k. Future minimum lease payments for off balance sheet operating leases (authority as lessee) was £11.467m.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Based on remaining asset lives, it is estimated that the annual depreciation charge for operational assets will increase by £9.893m per year, if the useful lives of individual assets were to be reduced by two years. However, statutory accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Provisions	The Authority's balance sheet at 31 March 2024 includes provisions totalling £11.458m. This includes: £2.806m in respect of the Authority's share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list £4.727m in respect of uninsured liabilities, insurances excesses in respect of notified claims and estimated liabilities for incidents incurred but not yet reported to the insurer or the Authority - a £1.970m relating to disputed obligations associated with the Authority's contract for waste disposal services - other provisions of £1.955m	The amounts recognised in the financial statements are based on the best estimate of the expenditure required to settle the obligation. Any subsequent increase or decrease in the amounts required to settle these obligations over the amounts provided for in the financial statements would lead to a corresponding decrease or increase in the General Fund balance or - for changes to the provision for business rates appeals not yet distributed in accordance with statutory provisions - the Collection Fund Adjustment Account balance.
Pensions Liability/Asset	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 34. During 2023-24, the Authority's actuary advised that the net pension asset (excluding the asset ceiling adjustment) increased by £86.273m: This movement includes:

2: FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
		- a decrease of £27.239m as a result of experience gains/losses and re-measurements associated with changes in financial and demographic assumptions. - an increase of £51.070m arising from re-measurement gains on plan assets.
Fair value measurements – Investment Property	The Authority uses an income approach or a market approach to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement of investment property using the income approach, include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Information about the valuation techniques and key inputs used in determining the fair value of the Authority's investment properties is disclosed in note 22 (Investment Property).	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.
Current value measurements - Operational Land and Buildings and Non-Operational Surplus assets	With the exception of specialised assets, the Authority uses an income approach or a market approach to measure the current value of its operational land and buildings and non-operational surplus assets. 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 and non-operational surplus assets using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Significant unobservable inputs used in the current value measurement of property using the	Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings and non-operational surplus assets.

2: FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
	cost (DRC) approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.	
Fair value measurements – Financial Assets	Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), valuation techniques including use of discounted cash flow (DCF) models are used to measure fair value. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.	Significant changes in assumptions and unobservable inputs used would result in a significantly lower or higher fair value measurement of financial assets/liabilities.

5. Impact of New Accounting Standards not yet Adopted

5.1 Changes to the 2024-25 Code of Practice on Local Authority Accounting

The 2024-25 Code of Practice on Local Authority Accounting – applicable to financial years commencing on or after 1 April 2024 – includes the following changes to accounting standards and interpretations that have been issued but not yet adopted.

- IFRS 16 *Leases* issued in January 2016
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

IFRS 16: Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

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

2: FINANCIAL STATEMENTS

The Authority has elected not to adopt IFRS 16 on a voluntary basis prior to the mandatory implementation date of 1 April 2024.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases in the financial statements for both lessors and lessees. Effective for annual periods beginning on or after 1 January 2019, the standard introduces:

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

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

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

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

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

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

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

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

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

2: FINANCIAL STATEMENTS

Leases previously classified as operating leases

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

- the lease term ends within 12 months of the date initial application
- the underlying asset is of low value
- the Authority accounts for investment property under existing Code provisions using the fair value model in section 4.4. of the Code and IAS 40: Investment Property.

At the date of initial application (1 April 2024) lease liabilities for leases previously classified as an operating lease under IAS 17 are initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The associated right-of-use asset is measured initially at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet at 31 March 2024.

Initial measurement at the date on initial application for a right-of-use assets for leases with payments at peppercorn or nominal consideration or for nil consideration will be at an amount equal to its fair value on 1 April 2024 with any gain (i.e. the difference between that fair value and the lease liability), recognised as a donated asset in accordance with the Code and IPSAS 23 as an adjustment to opening balances.

At 31 March 2024, the Authority has non-cancellable operating lease commitments of £11.467m, see note 42. Assessment of the quantitative impact of IFRS 16 on initial application of the standard is currently ongoing.

Leases previously classified as finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires recognition, as part of its lease liability, of only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17

At 31 March 2024 the Authority had liabilities of £260k in respect of assets classified as finance leases under IAS 17. The net book value of those assets was £337k. No changes are required to the carrying amounts of the leased assets and lease liability on initial application of IFRS 16.

Authority as Lessor

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

Impact of applying IFRS 16 on reported PFI liabilities

The mandated implementation of IFRS 16 also impacts on the measurement of the liability for PFI/PPP arrangements. Following implementation of IFRS 16, the Code requires service concession arrangement liabilities to be measured using the measurement requirements for a lease liability under the Code and IFRS 16. This will require service concession arrangement liabilities to be remeasured when indexation increases are applied to unitary payments. Previously, increases in unitary payments resulting from indexation that applied to the construction element were treated as contingent rent and recognised as an expense in the Comprehensive Income and Expenditure Statement. Under IFRS 16, contingent rent will not be recognised for service concession arrangements.

2: FINANCIAL STATEMENTS

Remeasurement of the PFI/PPP liability is calculated as the net present value of future payments that comprise the liability based on the revised level of payments and using the existing internal rate of return (IRR) used to calculate interest.

Consistent with the remeasurement of lease liabilities resulting from a change in variable lease payments dependent on an index or rate, the remeasurement of service concession liabilities reflects only indexation or rate changes that have already occurred and result in a change to the payment amount. It does not encompass anticipated movements in the index/rate that have not happened yet nor other undetermined changes in future years

For PFI/PPP assets subject to indexation, remeasurement of the liability is required by the Code on transition to IFRS 16. Where a service concession contract provides for variable payments that depend on an index or a rate, the balance at transition should be adjusted to reflect the carrying amount of the liability, which would have been calculated as the closing balance in the previous reporting year based on the index or rate applied to variable payments in that previous reporting year. This contrasts with the requirements for previous finance leases that are taken forward at the IAS 17 carrying amounts without modification on transition.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Issued in January 2020, the amendments to IAS 1 *Presentation of Financial Statements* clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period (i.e. entity's right to defer settlement must exist at the end of the reporting period)
- specify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
- explain that rights are in existence if covenants are complied with at the end of the reporting period, and
- introduce a definition of 'settlement' to make clear that settlement (for the purposes of classification as current or non-current), refers to the transfer of cash, the entity's own equity instruments, other assets or services. An option (embedded derivative) granted to a lender to convert a liability into equity shares would not affect classification of the liability as current or non-current if the option is recognised as an equity instrument separate from the liability in accordance with IAS 32 Financial Instruments: Presentation

The amendments which apply retrospectively are not expected to have a material impact on the Authority's single entity statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

Issued by the International Accounting Standards Board in September 2022 *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require that the 'lease payments' or the 'revised lease payments' arising from the leaseback arrangement are measured by the seller-lessee in such a way that no gain or loss is recognised on the right of use retained by the seller-lessee. The new requirements do not prevent a seller-lessee from recognising in the surplus or deficit on the provision of services any gain or loss relating to the partial or full termination of a lease.

2: FINANCIAL STATEMENTS

When accounting for a sale and leaseback transaction that qualifies to be treated as a sale, the amendments confirm that:

- on initial recognition, the seller-lessee includes variable lease payments when measuring the lease liability, and
- after initial recognition, the seller-lessee applies the general requirements to subsequent accounting of the lease liability such that no gain or loss is recognised relating to the right of use retained.

The amendments do not specify how the liability arising from the sale and leaseback should be measured.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 April 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments are not expected to have a material impact on the Authority's financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1)

Issued in October 2022 the Amendments to IAS 1 – Non-current Liabilities with Covenants specify that only those covenants with which an entity must comply on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date and therefore classification of a liability as current or non-current. This is the case even if the assessment of compliance with the covenant occurs after the reporting period.

The amendment also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period.

However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Application of this amendment is not expected to have a material impact on the Authority's single entity financial statements.

International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)

The International Accounting Standards Board issued *Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules* in May 2023. The amendments introduce:

- a temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules and a requirement to disclose that the exception has been applied,

2: FINANCIAL STATEMENTS

- targeted disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Pillar Two Model Rules (also referred to as the "Global Anti-Base Erosion Model Rules" or "GloBE Rules"), are part of the Two-Pillar Solution to address the tax challenges of the digitalisation of the economy. The Pillar Two Model Rules are designed to ensure large multinational enterprises (MNEs) pay a minimum level of tax on the income arising in each jurisdiction where they operate. The related accounting requirements do not currently apply to any local authority or local authority company, and future applicability seems unlikely.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to provide users of financial statements with information to assess the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- (i) the terms and conditions of any supplier finance arrangements
- (ii) the carrying amount, and associated line items presented in the entity's balance sheet, of the financial liabilities that are part of the arrangements
- (iii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (ii) for which suppliers have already received payment from the finance providers
- (iv) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities (payables) disclosed under (ii) (supplier finance arrangements) and comparable trade payables that are not part of a supplier finance arrangement. with further explanation provided when the ranges of payment due dates are wide
- (v) the type and effect of any non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement; Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents
- (vi) related liquidity risk information.

Application of this amendment is not expected to have an impact on the Authority's financial statements.

2: FINANCIAL STATEMENTS

6. Expenditure and Funding Analysis

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

Directorate	2023/24		
	Net Expenditure chargeable to General Fund (GF) Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income & Expenditure Statement
	(statutory basis) £'000	Note 6.1a £'000	(accounting basis) £'000
Chief Executive	249	3	252
Assistant Chief Executive	2,608	(19)	2,589
Business Transformation & Change	19,210	448	19,658
Resources	43,492	2,270	45,762
Place, Sustainable Growth & Transport	72,668	19,532	92,200
Public Health & Communities	4,178	(972)	3,206
Adult Social Care & Housing	76,481	7,581	84,062
Children & Family Wellbeing	77,701	13,361	91,062
Net Cost of Services	296,587	42,204	338,791
Financing & Investment Income & Expenditure	4,955	3,574	8,529
Surplus or deficit on discontinued operations	0	4,295	4,295
Capital expenditure financed from General Fund.	693	(693)	0
Taxation & non-ringfenced grants	(292,708)	(98,811)	(391,519)
Other Income and Expenditure	(287,060)	(91,635)	(378,695)
(Surplus) or Deficit on the General Fund	9,527	(49,431)	(39,904)
Opening General Fund Balance	117,140		
Impact of adopting new accounting standards	0		
(Surplus) or Deficit on General Fund in Year	9,527		
Closing General Fund Balance at 31 March	(107,613)		

2: FINANCIAL STATEMENTS

6.1 Expenditure and Funding Analysis

Decisions about resource allocation are taken by the Authority's Executive based on budget reports that analyse income and expenditure across eight Directorates.

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

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

(a) Adjustments between the Funding and Accounting Basis

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

2023/24	Reallocation of Other Income & Expenditure (Note 6.1b) £'000	Statutory Accounting Adjustments			Total £'000
		Adjustments for Capital Purposes (Note 6.1c) £'000	Net change for Pensions Adjustments (Note 6.1d) £'000	Other Differences (Note 6.1e) £'000	
Chief Executive	0	0	(4)	7	3
Assistant Chief Executive	0	0	(49)	30	(19)
Business Transformation & Change	(1,866)	2,368	(267)	213	448
Resources	8,531	(6,061)	435	(635)	2,270
Place, Sustainable Growth & Transport	(14,196)	33,448	(147)	427	19,532
Public Health & Communities	0	0	(547)	(425)	(972)
Adult Social Care & Housing	206	8,305	(810)	(120)	7,581
Children & Family Wellbeing	42	12,136	(1,374)	2,557	13,361
Net Cost of Services	(7,283)	50,196	(2,763)	2,054	42,204
Other Operating Expenditure	442	3,132	0	0	3,574
Financing and Investment Income and Expenditure	6,729	(2,902)	324	144	4,295
Surplus or deficit on discontinued operations	0	0	0	0	0
Capital expenditure charged to General Fund Balances	112	(805)	0	0	(693)
Taxation & non-ringfenced grants	0	(94,839)	0	(3,972)	(98,811)
Other income and expenditure from Expenditure and Funding Analysis	7,283	(95,414)	324	(3,806)	(91,635)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	0	(45,218)	(2,439)	(1,774)	(49,431)

2: FINANCIAL STATEMENTS

(b) Reallocation of Other Income & Expenditure

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

	2023/24 £'000
Deminimis receipts from disposal of non-current assets	
Interest payable & similar charges	(24,422)
Interest & investment income	14,936
Income & expenditure relating to investment properties	(4,496)
Impairment of financial assets	(2,268)
Amortisation of deferred gain (PFI refinancing gain)	529
	(6,729)
Reallocation from service expenditure to financing & investment income & expenditure	
Deminimis receipts from disposal of non-current assets	27
Levies and Precepts	(469)
Reallocation from service expenditure to Other Operating Expenditure	(442)
Capital expenditure charged to General Fund	(112)
	(7,283)

(c) Adjustments for Capital Purposes

Adjustments for capital purposes comprise for:

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

2: FINANCIAL STATEMENTS

	2023/24 £'000
Depreciation, amortisation, impairment and revaluation	52,183
Revenue expenditure funded from capital under statute	25,509
Capital grants & contributions credited to cost of services	(13,393)
Capital receipts arising on repayment of grants	(15)
Statutory provision for the financing of capital investment (MRP)	(14,088)
(Gains)/losses on sale of non-current assets (PPE)	3,132
Changes in the fair values of investment properties	(3,115)
(Gains) or losses on disposal of investment properties	(200)
Non-ringfenced capital grants, contributions and donations	(94,839)
Use of General Fund & Earmarked balances to finance capital expenditure	(805)
Movement in fair value of investments (capital debtor)	413
	45,218

(d) Net Change for the Pensions Adjustments

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

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

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

	2023/24 £'000
IAS 19 pension costs included in net cost of services	30,360
Employers pension contributions and direct payments to pensioners	(33,123)
Net interest on net defined benefit liability	324
	(2,439)

(e) Other Differences

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

- (i). Net Cost of Services: adjustments to expenditure to reflect timing differences associated with recognition of the costs of short-term paid absences (holiday pay)
- (ii). Financing and Investment Income and Expenditure: adjustments to the General Fund for the timing differences associated with the recognition of premiums and discounts arising from the premature repayment of debt, interest on stepped interest (LOBO) loans and fair value gains and losses of defined pooled investment funds

2: 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 Authority's General Fund in accordance with statutory requirements and the amount of council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement under generally accepted accounting practices included in the Code.

	2023/24 £'000
Movement on accrual for Employee Short-term Paid Absences	221
Adjustments involving the Financial Instrument Adjustment Account	(22)
Adjustments involving the Pooled Investment Funds Adjustment Account	166
Income from Council Tax – transfer to the Collection Fund Adjustment Account	(90)
Income from Business Rates – transfer to the Collection Fund Adjustment Account	(3,882)
Adjustment involving the Dedicated Schools Grant Adjustment Account	1,833
	(1,774)

6.2 Expenditure and Income Analysed by Nature

	2023/24 £'000
Fees, charges & other service income	(158,546)
Interest & investment income (interest receivable)	(14,355)
Amortisation of PFI refinancing gain	(529)
Income and expenditure relating to investment properties	(4,496)
Income from council tax & business rates	(219,305)
Grants & contributions - Revenue	(370,674)
Grants & contributions - Capital	(108,233)
Repayment of capital grants	(15)
Change in fair value of investment properties	(3,115)
Total Income	(879,268)
Employee benefits expenses	292,037
Other service expenses	459,830
Depreciation, amortisation, impairment and revaluation	552,183
Other amounts written-off non-current assets	0
Interest payments and similar charges	24,400
Net interest on defined benefit pension liability	324
Precepts & levies	5,424
Impairment of financial assets (credit losses)	2,267
Net gain or loss on disposal of non-current assets	2,905
Change in fair value of investment properties	0
Total operating expenses	839,364
(Surplus) or deficit on the provision of services	(39,904)

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:

	2023/24 £'000
Parking Income	(5,429)
Street Works and Road Closures	(4,025)
Commercial Waste Collection	(1,972)
Development Management inc. Planning & Building Control	(3,111)
Registration and Ceremony	(801)
Adult Social Care Fees	(25,072)
NHS contributions (Adults and Children's)	(35,966)
Bereavement Services	(3,384)
Income from Property (exc. Investment Property)	(5,262)
Shared and Hosted Services Income (W&F; Fire)	(36,882)
Fleet Services	(1,387)
LGR Implementation Reserve – share of unutilised balance	(1,059)
Schools Income	(11,252)
Port of Workington	(1,852)
Other income	(21,092)
	(158,546)

2: FINANCIAL STATEMENTS

7. Grant income recognised in the cost of services

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

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

	2023/24 £'000
Dedicated Schools Grant	(165,041)
Pupil Premium Grant	(7,742)
Mainstream Schools Additional Grant	(3,651)
Post 16 Core and High Needs Funding (16- to 19-year-olds)	(3,172)
Universal Infant Free School Meals Grant	(2,287)
Primary PE & Sports Premium Grant	(1,981)
Teachers Additional Pay Grant	(1,269)
Recovery Premium Grant	(1,129)
Public Health Grant	(12,195)
DWP - Housing Benefit Subsidy Grant (inc. Administration Subsidy)	(44,883)
Improved Better Care Fund	(14,616)
Household Support Fund	(4,335)
Adult Social Care - Market Sustainability	(3,306)
Market Sustainability & Improvement Fund - Workforce Fund	(2,073)
Adult Social Care - Discharge Fund	(2,049)
Homes for Ukraine	(1,085)
Supporting Families	(929)
Domestic Abuse Duty	(623)
UK Shared Prosperity Fund	(2,009)
Bus Service Improvement Plans	(465)
Other Grants and Contributions*	(18,459)
	293,299

* Other Government Grants in 2023-24 consist of numerous smaller grants, none of which individually are over £1m.

2: FINANCIAL STATEMENTS

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

	2023/24 £'000
Capital Grants received and applied in the current year	
Better Care Funding (DFG)	(2,951)
Future High Streets	(1,560)
Towns Deal	(872)
s106 (William Howard School)	(467)
UKSPF & UKREPF	(938)
Schools Condition Allocation	(607)
High Needs	(936)
5G Innovation	(274)
Sustainable Warmth	(2,513)
Formula Capital and schools' contributions	(360)
Other Grants and contributions	(124)
	(11,602)
Capital Grants received in current year but not applied	
Better Care Funding (DFG)	(1,773)
Other Grants and contributions	(19)
	(1,792)
	(13,394)

2: FINANCIAL STATEMENTS

8. Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the The School and Early Years Finance and Childcare (Provision of Information about Young Children) (Amendment) (England) Regulations 2024. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Education authorities in England are required by the Accounts and Audit Regulations 2015 and the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with statutory provisions. Details of the deployment of DSG receivable for 2023-24 are as follows:

2023-24	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2023-24 before academy and high needs recoupment	-	-	256,260
Academy and High Needs figure recouped for 2023-24	-	-	(91,751)
Total DSG after academy recoupment for 2023-24	-	-	164,509
Plus Brought forward from 2022-23	-	-	0
Less: Carry forward to 2024-25 (agreed in advance)	-	-	0
Agreed initial budgeted distribution in 2023-24	35,259	129,250	164,509
In year adjustments	0	532	532
Final budget distribution for 2023-24	35,259	129,782	165,041
Less: Actual central expenditure	37,863	-	37,863
Less: Actual ISB deployed to schools	-	129,011	129,011
Plus: Local Authority contribution for 2023-24	0	0	0
In Year Carry forward to 2024-25	(2,604)	771	(1,833)
Plus: Carry-forward to 2024-25 agreed in advance	-	-	0
Carry-forward to 2024-25	-	-	0
DSG unusable reserve at 1 April 2023	-	-	12,290
Addition to DSG Unusable Reserve at the end of 2023-24	-	-	1,833
Total DSG Unusable Reserve at the end of 2023-24	-	-	14,123
Net DSG position at end of 2023-24	-	-	14,123

2: FINANCIAL STATEMENTS

9. Other Operating income and expenditure

	2023/24 £'000
Parish Council Precepts	4,954
Levies	470
	5,424
Net (Gains)/losses on the disposal of Non-Current Assets	3,105
Payments to the government housing capital receipts pool	0
	8,529

10. Financing and investment income and expenditure

	2023/24 £'000
Interest payable and similar charges	24,400
Interest receivable and similar income	(14,355)
PFI refinancing gain	(529)
Income & expenditure relating to investment properties	(4,496)
Changes in fair values of investment properties	(3,115)
(Gains)/losses on disposal of investment properties	(200)
Net interest on the net defined benefit liability	324
Impairment (credit) losses (including reversals of impairment losses or impairment gains) on trade and other receivables	2,266
Unwinding of discount on provisions	0
	4,295

Interest payable and similar charges comprise:

	2023/24 £'000
Interest expense on financial liabilities (not measured at FVTPL)	
- Interest on PWLB Borrowing	8,902
- Interest on Lender Option Borrower Option loans	858
- Other interest	502
- Service concessions – interest & contingent rentals	14,110
- Finance lease charges	28
	24,400

Interest receivable and similar income comprises:

	2023/24 £'000
Net (gains)/losses on:	
- financial assets measured at fair value through profit or loss	(1,801)
- financial assets measured at amortised cost	
Interest revenue on financial assets measured at amortised cost	(5,554)
Dividends from Group Entities	(7,000)
Interest revenue on financial assets measured at fair value through other comprehensive income and expenditure	0
	(14,355)

11. Taxation and Non-Specific Grant Income and Expenditure

	2023/24 £'000
Council tax income	(156,997)
Non-domestic rates income and expenditure	(62,308)
Non-ringfenced government grants (Revenue)	(77,375)
Capital grants and contributions	(94,839)
	(391,519)

11.1 Council tax income

	2023/24 £'000
Precept	(157,837)
Distribution of estimated prior year (surplus)/deficit	930
Demand on Collection Fund	(156,907)
Share of actual surplus/(deficit) at 31 March	752
Share of actual (surplus)/deficit at 1 April	(842)
Net transfer to/(from) Collection Fund Adjustment Account	(90)
Council tax income	(156,997)

11.2 Non-domestic rates income and expenditure

	2023/24 £'000
Share of Non-Domestic Rates Income from rates retention scheme	(51,956)
Other NNDR income retained by the Authority	(1,708)
Share of estimated (surplus)/deficit	6,807
Reconciliation adjustment - prior year disregarded income	(95)
Top-up/Tariff	(11,477)
	(58,429)
Share of (surplus)/deficit at 31 March	3,725
Share of surplus/(deficit) at 1 April	(7,648)
Disregarded income accrual at 31 March	(51)
Disregarded income accrual at 1 April	95
Cost of collection adjustment	(3)
Net transfer to/(from) Collection Fund Adjustment Account	(3,882)
Cost of collection adjustment reflected in net cost of serves	3
NNDR income and expenditure	62,308

2: FINANCIAL STATEMENTS

11.3 Non-ringfenced revenue grants

	2023/24 £'000
Revenue Support Grant	(11,380)
Social Care Support Grant	(25,101)
New Homes Bonus Scheme Grant	(957)
Rural Services Delivery Grant	(2,793)
Section 31 Grant - Business Rates	(21,382)
Services Grant	(2,420)
Levy Account Surplus	(502)
PFI Grant	(11,882)
Other non-ringfenced grants	(958)
	(77,375)

¹ Social care grant is ringfenced for the purposes of meeting adult and children's social care needs. Adult social care is included in the Adult Social Care & Housing Directorate and children's social care in the Children & Family Wellbeing Directorate. In the absence of guidance to enable the total allocation to be split between adult and children's, the Authority has elected to present this grant as a non ringfenced grant.

11.4 Capital Grants & contributions credited to Taxation and Non-Specific Grant Income

	2023/24 £'000
Capital Grants received and applied in the current year:	
Environment Agency Flood contributions	(416)
Future High Streets	(3,696)
Towns Deal	(1,835)
DLUHC - Accelerated Towns Fund	(213)
Schools Condition Allocation	(2,523)
Basic Need	(255)
Formula Capital Grant	(908)
Highways Capital Grants	(20,502)
Levelling Up	(3,982)
Getting Building Fund	(643)
Carlisle Southern Link Road	(56,777)
High Needs	(1,397)
Nuclear Decommissioning Authority	(877)
Other capital grants & contributions	(709)
	(94,733)
Capital Grants received in current year but not applied	
Other capital grants & contributions	(106)
	(94,839)

12. External Audit Costs

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

	2023/24 £'000
Fees payable with regard to external audit services carried out by the appointed auditor under the Code of Audit Practice ¹	526
Fees payable for the certification of grant claims and returns ²	196
Fees payable in respect of other services provided by the appointed auditor	1
	723

¹: Includes 2023/24 scale fee of £665k less £139k adjustment to accruals in respect of fees for prior year audits.

² Includes £91,250 in respect of 2022-23 housing benefit certification fees. In 2023-24 Grant Thornton UK LLP were appointed as Reporting Accountant to replace Mazars LLP who resigned their appointment as Reporting Accountant for Carlisle City Council and Allerdale Borough Council following certification of Housing Benefit Subsidy final claims for 2021-22.

13. Members' Allowances

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

	2023/24 £
Basic Allowances	661,873
Special Responsibility Allowances	234,011
Dependant Carer's Allowance	4,630
Expenses	26,592
Total	927,106

14. Officers' Remuneration

14.1 Employee remuneration (excluding senior employees)

The number of employees, excluding senior employees included in note 14.2, whose remuneration, excluding pension contributions, was £50,000 or more, was as follows:

Remuneration Band	Number of Employees		
	Schools 2023/24	Other 2023/24	Total 2023/24
£50,000 to £55,000	17	72	89
£55,001 to £60,000	31	82	113
£60,001 to £65,000	26	35	61
£65,001 to £70,000	19	35	54
£70,001 to £75,000	12	7	19
£75,001 to £80,000	8	13	21
£80,001 to £85,000	1	5	6
£85,001 to £90,000	7	2	9
£90,001 to £95,000	0	8	8
£95,001 to £100,000	0	2	2
£100,001 to £105,000	1	0	1
£105,001 to £110,000	0	1	1
£110,001 to £115,000	2	1	3
£115,001 to £120,000	1	0	1
£120,001 to £125,000	0	0	0
£125,001 to £130,000	0	0	0
£130,001 to £135,000	0	0	0
£135,001 to £140,000	0	0	0
£140,001 to £145,000	0	0	0
£145,001 to £150,000	0	1	1
Total	125	264	389

2: FINANCIAL STATEMENTS

14.2 Senior Officers' Remuneration

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

Remuneration for Senior Employees 2023/24						
Post Title	Salary fees & allowances £	Expense allowances £	Taxable benefits ¹ £	Compensation for loss of office £	Pension contribution £	Total £
Andrew Seekings, Chief Executive Officer	177,942	0	0	0	32,563	210,505
Assistant Chief Executive - Strategy, Policy & Performance	110,827	0	0	0	20,281	131,108
Director of Business Transformation & Change	133,260	0	0	0	24,387	157,647
Director of Resources	131,367	0	(1,487)	0	24,040	153,921
Director of Public Health & Communities	131,367	0	0	0	20,533	151,900
Director of Place, Sustainable Growth & Transport	131,367	0	(1,860)	0	24,387	153,547
Director of Adult Social Care & Housing	117,948	0	0	0	21,584	139,532
Director of Children & Family Wellbeing	146,892	0	(10,947)	0	26,881	162,926
Chief Finance Officer (s151 Officer)	110,987	0	0	0	20,311	131,298
Chief Legal & Monitoring Officer	93,072	0	0	0	17,032	110,104
	1,285,029	0	14,194	0	231,653	1,502,488

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

15. Exit Packages

The number of exit packages with total cost per band and the total cost compulsory and other departures is set out in the following table:

Exit package cost band (including special payments) 2023/24	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	7	17	24	£113,613
£20,001 - £40,000	0	2	2	£50,824
£40,001 - £60,000	0	0	0	£0
£60,001 - £80,000	0	0	0	£0
£80,001 - £100,000	0	0	0	£0
£100,001 - £150,000	0	0	0	£0
£400,001 - £450,000	0	1	1	£409,711
	7	20	27	£574,148

2: FINANCIAL STATEMENTS

16. Pooled Budgets

Cumberland Council hosts The Better Care Fund in partnership with the North East and North Cumbria Integrated Care Board (ICB) and the Lancashire and South Cumbria ICB under section 75 of the Health Act 2006.

The pooled fund combines funding through the Better Care Fund, the Improved Better Care Fund and Hospital Discharge Grant. It creates a local single budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:

- Supporting independence in the community by placed-based activity
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community
- Facilitating earlier hospital discharge.

Financial performance in the year to 31 March 2024 was as follows:

	Cumberland Council £000	North East & North Cumbria ICB £000	Lancashire & South Cumbria ICB £000	Total £000
Contributions				
Better Care Fund Capital	4,344	-	-	4,344
Better care Fund Revenue	-	26,517	846	27,363
Improved Better Care Fund	14,616	-	-	14,616
Hospital Discharge Grant	2,049	1,182	38	3,269
	21,010	27,699	883	49,593
Spend				
<u>Better Care Fund</u>				
- Prevention	8,425	3,181	101	11,707
- Integrated Care Communities	14,283	4,377	140	18,800
- Common Platform	-	329	11	340
- Mental Health	-	728	23	751
- Innovation Fund	109	-	-	109
Total Better Care Fund	22,817	8,615	275	31,707
<u>Improved Better Care Fund</u>				
- Improving System Flow	3,189	1,468	47	4,704
- Market Stabilisation	8,484	-	-	8,484
- Winter Pressures	1,429	-	-	1,429
Total Improved Better Care Fund	13,102	1,468	47	14,616
<u>Hospital Discharge Grant</u>				
- Hospital Discharge	2,049	1,182	38	3,269
Total Pooled Fund	37,968	11,265	359	49,593

2: FINANCIAL STATEMENTS

17. Adjustment between Accounting Basis & Funding Basis under Regulations

This note details the adjustments made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice, to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out in notes 18 and 19.

2023/24	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	(50,327)	-	-	50,327
Revaluation (losses) /gains	(1,743)	-	-	1,743
Movement in the fair value of investment properties	3,115	-	-	(3,115)
Amortisation of intangible assets	(113)	-	-	113
Capital grants & contributions	106,335	-	-	(106,335)
Revenue expenditure funded from capital under statute	(25,509)	-	-	25,509
Income in relation to donated assets	0	-	-	0
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(3,690)	-	-	3,690
Other				
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	14,088	-	-	(14,088)
Capital expenditure to General Fund	805	-	-	(805)
	42,961	0	0	(42,961)
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,897	-	(1,897)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	0	-	2,954	(2,954)
	1,897	0	1,057	(2,954)
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	758	(758)	-	-
Payments to the government housing receipts pool				
Capital receipts arising on repayment of grants	15	(15)	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	2,441	-	(2,441)
	773	1,668	0	(2,441)
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	(413)	-	-	413
Other movements	-	(225)	-	225
	(413)	(225)	0	638

2: FINANCIAL STATEMENTS

2023/24 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Financial Instrument Adjustment Account Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	22	-		(22)
	22	0	0	(22)
Adjustments involving the Pension Reserve Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement Employers pension contributions and direct payments to pensioners payable in the year	(30,684)	-	-	30,684
	33,123	-		(33,123)
	2,439	0	0	(2,439)
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	3,972	-		(3,972)
	3,972	0	0	(3,972)
Adjustments involving the Accumulated Absences Account Movement on accrual for short-term compensated absences	(221)	-		221
	(221)	0	0	221
Adjustments involving the Dedicated Schools Grant Adjustment Account School budget deficit transferred from General Fund in accordance with statutory requirements	(1,833)			1,833
	(1,833)	0	0	1,833
Adjustments involving the Pooled Investment Funds Adjustment Account Movement in fair value of specified pooled investment funds transferred to/from the General Fund in accordance with statutory requirements	(166)	-	-	166
	(166)	0	0	166
Movement during the year	49,431	1,443	1,057	(51,931)

18. Usable Reserves

Reserve	1 April 2023 £'000	Net movement in the year £'000	At 31 March 2024 £'000	Note
Unearmarked General Fund Reserve	(26,151)	(4,627)	(30,778)	18.1
Earmarked General Fund Balances	(90,989)	14,154	(76,835)	18.2
Total General Fund Balance	(117,140)	9,527	(107,613)	
Capital Receipts Reserve	(12,825)	1,443	(11,382)	18.3
Capital Grants Unapplied	(4,894)	1,057	(3,837)	18.4
Total Usable Reserves	134,859	12,027	122,832	

18.1 Unearmarked General Fund Reserve

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

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

	2023/24 £'000
General Fund Balance at 1 April	(26,151)
Increase/(decrease) in year	(4,627)
Balance at 31 March	(30,778)

2: FINANCIAL STATEMENTS

18.2 Earmarked Reserves

This note summarises the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts released from Earmarked Reserves to meet General Fund expenditure in 2023-24.

2023/24	1 April 2023 £'000	Transfer between Reserves £'000	Transfers in £'000	Transfers Out £'000	31 March 2024 £'000
DSG Funded Reserves					
Ringfenced Schools Reserves ¹	(4,806)	0	0	3,333	(1,473)
	(4,806)	0	0	3,333	(1,473)
Corporate Reserves					
Insurance reserves ²	(7,043)	0	0	1,582	(5,461)
PFI Reserve ³	(22,245)	0	(1,635)	2,547	(21,333)
Corporate ⁴	0	0	(5,058)	0	(5,058)
NNDR ⁵	0	0	(5,000)	0	(5,000)
Capital ⁶	(2,913)	0	0	693	(2,220)
	(32,201)	0	(11,693)	4,822	(39,072)
Other Earmarked Reserves					
Bequests	(102)	0	0	34	(68)
Hosted Services (ICT, Libraries, Waste) ⁷	(2,101)	0	(429)	629	(1,901)
Ringfenced grants and Contributions ⁸	(23,872)	0	(4,933)	7,059	(21,746)
Other Directorate Reserves ⁹	(27,907)	0	(2,328)	17,660	(12,575)
	(53,982)	0	(7,690)	25,382	(36,290)
Total	(90,989)	0	(19,383)	33,537	(76,835)

¹Schools Reserves: carry forward of individual schools' surpluses and deficits in accordance the provisions of the Education Reform Act 1988 (Scheme of Local Management of Schools).

	At 1 April 2023		At 31 March	
	No	£'000	No	£'000
Schools in surplus	108	(8,010)	101	(6,925)
Schools in deficit	19	3,204	25	5,452
Net Cumulative (surplus)/deficit	127	(4,806)	126	(1,473)

²Insurance reserve: amounts held to meet possible obligations arising from insured and uninsured (self-insured) risks where these obligations do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 Provisions, Contingent Assets and Liabilities).

³PFI Reserve: balance of annual PFI grant intended to cover notional capital element of PFI costs and other contributions set aside to support the Carlisle Northern Development Route.

⁴Corporate: amounts set aside to meet unbudgeted/unforeseen financial obligations.

⁵NNDR: amounts set aside to offset volatility in business rates income.

⁶Capital: amounts set aside to fund the capital programme.

2: FINANCIAL STATEMENTS

⁷ **Hosted Services (ICT, Libraries, Waste):** legacy reserves allocated to Cumberland under the s16 agreement in respect of services hosted by Cumberland Council.

⁸ **Ringfenced Revenue Grants & Contributions:** balance of revenue grants and contributions that have no conditions or where the conditions have been met, but the expenditure to be financed from the grant or contribution has not been incurred at the balance sheet date.

⁹ **Other Directorate Reserves:** carrying forward of budget underspends (excluding amounts in respect of revenue grants and contributions) and other amounts set aside from revenue to meet corporate priorities, future spending commitments and held as contingencies to manage corporate risks.

18.3 Capital Receipts Reserve

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

	2023/24 £'000
Balance at 1 April	(12,825)
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	(758)
Transfer from Deferred Capital Receipts Reserve	(225)
Capital receipt arising on repayment of grant assistance & long-term loan advances	(15)
Total capital receipts received in the year	(13,823)
Payments to the government housing receipts pool	0
Receipts applied to finance capital expenditure during the year	2,441
Balance at 31 March	(11,382)

18.4 Capital Grants Unapplied

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

	2023/24 £'000
Balance at 1 April	(4,894)
Capital Grants received in previous years and applied in current year	2,954
Capital Grants received in current year but not applied	(1,897)
Balance at 31 March	(3,837)

19. Unusable Reserves

Reserve	At 1 April 2023 £'000	Movement in the Year £'000	At 31 March 2024 £'000	Note
Revaluation Reserve	(174,714)	(23,756)	(198,470)	19.1
Capital Adjustment Account	(517,883)	(54,252)	(572,135)	19.2
Deferred Capital Receipts Reserve	(784)	638	(146)	19.3
Pensions Reserve	23,064	(2,147)	20,917	19.4
Collection Fund Adjustment Account	8,398	(3,972)	4,426	19.5
Financial Instruments Adjustment Account	371	(22)	349	19.6
Accumulated Absences Account	7,474	221	7,695	19.7
Dedicated Schools Grant Adjustment Account	12,290	1,833	14,123	19.8
Pooled Investment Funds Adjustment Account	(392)	166	(226)	19.9
Total Unusable Reserves	(642,176)	(81,291)	(723,467)	

19.1 Revaluation Reserve

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

- revalued downwards or impaired
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date the Revaluation Reserve was first established under the Code. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2023/24 £'000
Balance at 1 April	(174,714)
Revaluation of assets - current year	(29,652)
Amounts written off to the capital adjustment account:	0
Difference between fair value depreciation and historical cost depreciation – current year	5,446
Accumulated gains on assets sold or scrapped – current year	450
Balance at 31 March	(198,470)

2: FINANCIAL STATEMENTS

19.2 Capital Adjustment Account

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

	2023/24 £'000
Balance at 1 April	(517,883)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
Depreciation of non-current assets	50,327
Revaluation (gain)/loss on Property, Plant & Equipment and Heritage Assets	1,743
Amortisation of intangibles	113
Revenue Expenditure Funded from Capital Under Statute	25,509
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	3960
Adjusting amounts written out of the Revaluation Reserve:	
Accumulated gains on assets sold written out of the Revaluation Reserve	(450)
Difference between fair value depreciation and historical cost depreciation	(5,446)
Capital financing applied in the year:	
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,441)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(106,335)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,954)
Statutory provision for the financing of capital investment charged against the General Fund (minimum revenue provision)	(14,088)
Capital expenditure charged against the General Fund balance	(805)
Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,115)
Other movements	
Balance at 31 March	(572,135)

19.3 Deferred Capital Receipts Reserve

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

	2023/24 £'000
Balance at 1 April	(784)
Deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
Transfer to the Capital Receipts Reserve upon receipt of cash	225
Other movements (fair value adjustment to associated receivable)	413
Balance at 31 March	(146)

19.4 Pensions Reserve

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

	2023/24 £'000
Balance at 1 April	23,064
Remeasurement of the net defined benefit liability/(asset)	292
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	30,684
Employers pension contributions and direct payments to pensioners payable in the year	(33,123)
Balance at 31 March	20,917

2: FINANCIAL STATEMENTS

19.5 Collection Fund Adjustment Account

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

	2023/24 £'000
Balance at 1 April	8,398
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	(3,972)
Balance at 31 March¹	4,426

¹ At 31 March 2024 the balance on the Collection Fund adjustment account comprises the Authority's share of the Collection Fund deficits attributable to non-domestic rates (£3,725k) and Council tax (£752) less reconciliation adjustments in respect of NNDR disregarded income (£51k).

19.6 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains in accordance with statutory provisions. The Authority uses the Account to manage premiums and discounts paid or received on the early redemption of loans and for the recognition of interest on stepped interest loans. Premiums and discounts charged or credited to the Comprehensive Income and Expenditure Statement when incurred, are reversed out of the General Fund Balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense/income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The interest expense on stepped interest loans charged to the Comprehensive Income and Expenditure Statement is calculated using the effective interest method. The difference between this amount and the contractual interest payable for the year charged to the general fund in accordance with statutory provisions is transferred to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

	2023/24 £'000
Balance at 1 April	184
Proportion of premiums incurred in previous financial years charged against the General Fund balance in accordance with statutory requirements	0
Revision to measurement of opening balance of stepped interest loans at 1 April 2023	187
Balance at 1 April revised	371
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (current year)	(22)
Balance at 31 March	349

2: FINANCIAL STATEMENTS

19.7 Accumulated Absences Account

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

	2023/24 £'000
Balance at 1 April	7,474
Settlement or cancellation of accrual made at the end of the preceding year	(7,474)
Amounts accrued at the end of the current year	7,695
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	221
Balance at 31 March	7,695

19.8 Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the Authority has incurred a deficit on its schools budget in years beginning 1 April 2020 and ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2023/24 £'000
Balance at 1 April	12,290
School budget deficit transferred from General Fund in accordance with statutory requirements	1,833
Balance at 31 March	14,123

19.9 Pooled Investment Funds Adjustment Account

Pooled investment funds adjustment account is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

2: FINANCIAL STATEMENTS

	2023/24 £'000
Balance at 1 April	(392)
Movement in fair value of specified pooled investment funds transferred to/from the General Fund in accordance with statutory requirements	166
Balance at 31 March	(226)

20. Property, Plant and Equipment

20.1 Net book value of Property, Plant and Equipment

	31 March 2024 £'000
Infrastructure Assets	405,968
Other Property, Plant and Equipment Assets	624,233
Net Book Value at 31 March	1,030,201

20.2 Infrastructure Assets

	31 March 2024 £'000
Net Book Value at 1 April	410,037
Additions	26,297
Transfers	0
Depreciation charge	(30,366)
Net Book Value at 31 March	405,968

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

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

The Authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

2: FINANCIAL STATEMENTS

20.3 Other Property, Plant and Equipment Assets

2023/24	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2023	460,511	58,201	6,921	3,580	40,610	569,823
Additions	9,980	1,746	312	38	67,473	79,549
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,314	0	0	725	0	24,039
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,876)	0	0	(202)	0	(3,078)
Derecognition - disposals & other	(3,074)	(485)	0	(260)	0	(3,819)
Transfers	750	0	0	0	(360)	390
At 31 March 2024	488,605	59,462	7,233	3,881	107,723	666,904
Accumulated Depreciation & Impairment						
At 1 April 2024	(6,598)	(23,692)	0	(15)	0	(30,305)
Depreciation Charge	(15,100)	(4,846)	0	(5)	0	(19,951)
Depreciation written out to the Revaluation Reserve	5,613	0	0	0	0	5,613
Depreciation written out to Surplus/Deficit on the Provision of Services	1,326	0	0	9	0	1,335
Derecognition - disposals & other	154	475	0	0	0	629
Transfers	(2)	0	0	10		8
At 31 March 2024	(14,607)	(28,063)	0	(1)	0	(42,671)
Net Book Value at 31 March 2024	473,998	31,399	7,233	3,880	107,723	624,233
Net Book Value at 1 April 2023	453,913	34,509	6,921	3,565	40,610	539,518

An analysis of the movement in the carrying amounts of assets held under service concession arrangements and included in the above table is set out in note 43.

20.4 Revaluations –Other Property Plant & Equipment

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

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

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

2: FINANCIAL STATEMENTS

Valuations summarised in the following tables were undertaken by external valuers Wilks, Head & Eve (2024, 2023, 2022, 2021, and 2020), Montague Evans (2023, 2022, 2021, and 2020) and the Valuation Office Agency (2023, 2022, 2021, 2020), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation - Professional Standards and Guidance (the 'Red Book').

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

At 31 March 2024	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	-	59,642	7,233	-	107,723	174,598
Valued at current value at:						
31 March 2024	200,453	-	-	3,827	-	200,453
31 March 2023	247,726	-	-	54	-	247,726
31 March 2022	21,607	-	-	0	-	21,607
31 March 2021	7,200	-	-	0	-	7,200
31 March 2020	11,619	-	-	0	-	11,619
Total Cost or Valuation	488,605	59,642	7,233	3,881	107,723	666,904

20.5 Surplus Assets

Valuation process for Surplus Assets

Surplus assets (i.e. assets that are not being used to deliver services, but that do not meet the criteria to be classified as either investment properties or non-current assets held for sale) are measured at fair value estimated at highest and best use from a market participant's perspective. Valuations of the Authority's surplus assets are undertaken in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards and Guidance (the 'Red Book') using an Income (income capitalisation) Approach or Market Approach.

Fair value measurement of surplus property - fair value hierarchy

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31 March 2024 £'000
Miscellaneous residential & commercial lettings	-	-	416	416
Vacant land	-	-	3,465	3,465
At 31 March 2024	-	-	3,881	3,881

Transfers between Levels of the fair value hierarchy

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

2: FINANCIAL STATEMENTS

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.

Valuation Techniques

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

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

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

	Misc residential & commercial lettings £'000	Vacant land £'000	Total £'000
Carrying amount at 1 April 2023	349	3,216	3,565
Changes in fair values of surplus properties recognised in the Surplus or Deficit on the Provision of Services	(14)	(179)	(193)
Changes in fair values of surplus properties recognised in Other Comprehensive Income and Expenditure	38	687	725
Additions	38	0	38
Disposals	0	(260)	(260)
Transfers	10	0	10
Depreciation	(5)	0	(5)
Carrying amount at 31 March 2024	416	3,464	3,880
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2024	(14)	(179)	(193)

3: NOTES TO THE FINANCIAL STATEMENTS

21. Heritage Assets

Heritage assets comprise those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets include historical sites and monuments, civic regalia, museum collections and other items including paintings and items within the Authority's archive collection.

Reconciliation of the movement in the carrying amount of the Authority's heritage assets:

2023/24	At cost		At valuation			Tangible Heritage Assets	Intangible Heritage Assets	Total
	Historical Sites & Monuments £'000	Nature Reserves £'000	Museum Collections £'000	Civic Regalia £'000	Other £'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2023	1,923	0	25,995	130	544	28,592	46	28,638
Additions - purchased	14	0	0	0	0	14	0	14
Additions - donated	0	0	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
At 31 March 2024	1,937	0	25,995	130	544	28,606	46	28,652
Accumulated depreciation & impairment								
At 1 April 2023	(92)	0	0	0	0	(92)	(34)	(126)
Depreciation charge	(7)	0	0	0	0	(7)	(3)	(10)
At 31 March 2024	(99)	0	0	0	0	(99)	(37)	(136)
Net book value at 31 March 2024	1,838	0	25,995	130	544	28,507	9	28,516

21.1 Description of the Council's Collection of Heritage Assets

Historical sites and monuments

The Authority owns a number of historical sites, monuments and statues. These historical sites are now, in the main, buried or ruins and consist of the Roman Cumbrian Coast defence (Milefortlet 21 Swarthy Hill), the famous Salt Pans of West Cumbria, Workington Hall in the grounds of Curwen Park, the iron lighthouse at Maryport and the Workington Pit heads. This category of Heritage assets also includes Dixons Chimney, West Walls, Castle Banks, and Roman Frontier Public Realm works in Carlisle along with several assets acquired as part of the Workington Town Centre Development. These include the Curwen Column and the Lookout Clock. Where historic cost information related to these assets is available this cost (net of any impairments) is included in the reported carrying value of heritage assets. This includes capital expenditure incurred by the Authority and its predecessor Authority's on these sites in the period subsequent to acquisition.

Nature Reserves

The Authority owns several areas of land classified as nature reserves. A number of these have been categorised as heritage assets, reflecting their recognition as areas of special scientific interest given the unique and rare wildlife they support. Where historic cost information related to these sites is available this cost is included in the carrying value of heritage assets. This includes capital expenditure incurred by the Authority and its predecessor Authority's on these sites in the period subsequent to acquisition.

Museum Collections

The Authority's museum collections consist of circa 1million objects included in the collections held at the Maryport Maritime Museum, Tullie House Museum and Art Gallery, Carlisle and the Beacon Museum, Whitehaven. Objects included within the Authority's combined museum collections fall into four main categories:

Category	
Fine and Decorative Art	Oil paintings, watercolours, drawings, prints, photographs, sketch books and sculpture. Furniture, pottery, ceramics, metalwork and silverware, glassware, clocks and barometers.
Social History	Objects and ephemera relating to working, domestic and recreational activities including photographs, costumes and textiles; oral history collection; books and maps; watches, clocks and firearms.
Archaeology and Numismatics	Archaeological Items and material encompassing prehistory to the early modern period; coins, tokens, medals.
Natural Science.	Zoology including extensive and nationally significant entomology collection, Taxidermy specimens; Botanical collection of Lakeland and British herbaria, including mosses and lichens. Fungi; Geological collection of mineral, fossil and rock specimens.

Museum collections are reported in the Balance Sheet at an insurance valuation based on open market replacement cost for items of a comparable nature, age and condition. The Fine Art, Decorative Art and Social History collections held at Tullie House Museum, which in aggregate represent around 80% of the carrying value of museum collections, were revalued by Adam Schoon Independent Antiques and Fine Art valuer in March 2022 (Fine Art Collection) and February 2023 (Decorative Arts and Social History).

Other items within the Authority's Museum collections were revalued by specialist external valuers Bonhams, Mitchells Antiques & Fine Art Auctioneers and Valuers and Doerr Dallas Valuations at various dates between 2014 and 2022.

3: NOTES TO THE FINANCIAL STATEMENTS

While there is no requirement for valuations to be carried out or verified by external valuers, nor any prescribed maximum period between valuations. The carrying amounts of heritage asset measured at valuations are reviewed with sufficient frequency to ensure the valuations remain current.

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.

Other tangible heritage assets - recognised on the balance sheet include items within the Authority's archive collection along with paintings and other items not forming part of the Authority's Museum collections. These items are measured using insurance values.

21.2 Heritage Assets not recognised on the balance sheet

Where, information on the cost or value of a heritage asset is not available and cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, the asset is not recognised on the Balance. The Authority owns a number of heritage assets including statues, monuments, historical sites and nature reserves for which historic cost information is not available and in respect of which it is not practicable to obtain a valuation due to the nature of the asset. In the absence of information relating to historic cost or value, these assets are not recognised in the balance sheet.

21.3 Acquisition, Preservation, Management and Disposal

Collections Policies (Collections Development Policies) are in place at all of the Authority's Museums. In addition to setting out the museums' statement of purpose and providing an overview of the current collections, the Collection Policies also outline the guiding principles for the acquisition, preservation, management and disposal of museum collections.

22. Investment Property

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

	2023/24 £'000
At 1 April	147,116
Additions - acquisitions	0
Additions - subsequent expenditure	563
Disposals	(500)
Transfers from/(to) Property, Plant and Equipment	(398)
Net gains/(losses) from fair value adjustments	3,115
At 31 March	149,896

Nature of asset holding	
Owned (Freehold)	149,896
Finance Lease	0
At 31 March	149,896

3: NOTES TO THE FINANCIAL STATEMENTS

Valuation process for Investment Properties

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

Fair value measurement of Investment property - fair value hierarchy

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

	Level 1	Level 2	Level 3	Fair value at 31 March 2024
	£'000	£'000	£'000	£'000
Retail Lettings	-	-	37,169	37,169
Residential & Commercial Lettings	-	-	31,416	31,416
Managed Industrial Estates	-	-	66,925	66,925
Vacant Land & Industrial Sites	-	-	14,386	14,386
At 31 March 2024	-	-	149,896	149,896

Transfers between Levels of the fair value hierarchy

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

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

Income approach

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

Market approach

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

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

Highest and Best Use of Investment Properties

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

3: NOTES TO THE FINANCIAL STATEMENTS

Valuation Techniques

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

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

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

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2023	35,740	32,568	67,751	11,057	147,116
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services ¹	1,429	(562)	(826)	3,074	3,115
Additions	0	143	0	420	563
Disposals	0	(500)	0	0	(500)
Transfers (to)/from PPE	0	(233)	0	(165)	(398)
Carrying amount at 31 March 2024	37,169	31,416	66,925	14,386	149,896
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2024	1,429	(562)	(826)	3,074	3,115

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

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

	Fair value at 31/03/24 £'000	Valuation technique	Significant unobservable inputs
Retail Lettings	37,169	Income	Estimated yield Rental value (rent passing/reversion rent) p.a.
Residential & Commercial Lettings	31,416	Market	Estimated sale value per unit Estimated value per h.a./plot value
		Income	Estimated yield Rental value (rent passing/ reversion rent/profit rent) p.a.
Managed Industrial Estates	66,925	Income	Estimated yield Rental value (rent passing/ reversion rent) p.a.
		Market	Estimated value per h.a.
Vacant Land & Industrial Sites	14,386	Market	Estimated value per h.a./plot value Revision yield
		Income	Estimated yield Rental value (rent passing/ reversion rent) p.a.
	149,896		

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

Rental income and operating expenses from Investment Property

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

	2023/24		
	Expenditure £'000	Income £'000	Net £'000
Investment Property	966	(5,462)	(4,496)
	966	(5,462)	(4,496)

23. Capital Expenditure and Financing

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

3: NOTES TO THE FINANCIAL STATEMENTS

	2023/24 £'000
Opening Capital Financing Requirement	432,751
Capital investment:	
Property Plant & Equipment	105,846
Property Plant & Equipment – write-off of prior year expenditure	
Investment Property	563
Intangible Assets	65
Heritage Assets – purchased and donated	14
Revenue Expenditure Funded from Capital under Statute	25,509
Financing:	
Capital receipts	(2,441)
Government grants, contributions and donations	(109,289)
Sums set aside from revenue	
Direct revenue contributions	(805)
Minimum Revenue Provision (MRP)	(14,088)
Closing Capital Financing Requirement	438,125
Explanation of movements in year	
Increase/(decrease) in underlying need to borrowing – unfinanced capital expenditure incurred in year	19,462
Less: Amounts set aside from Revenue (MRP)	(14,088)
Increase/(decrease) in Capital Financing Requirement	5,374

24. Investments

	31 March 2024 £'000
Investments in associates & joint ventures	
Cumbria County Holdings Limited - ordinary shares	1,592
Other Long-term investments	
Allerdale Investment Partnership LLP secured investor loan notes 2034	0
CCLA Local Authorities Property Fund	3,103
Unquoted equity investments	13
	4,708
Short-term (loans & receivables)	
Term deposits and notice accounts	0
	4,708

25. Short-term Debtors

	31 March 2024 £'000
Trade and other receivables	80,673
Council Tax receivable	17,056
NNDR receivable	2,976
Residential and non-residential care charges	11,018
Housing benefit overpayments	3,120
Other taxation and social security	5,293
Capital debtors	7,918
	128,054
Allowance for credit losses:	
- Trade and other receivables	(3,736)
- Residential and non-residential care charges	(2,167)
- Council Tax	(8,036)
- NNDR	(1,219)
- Housing Benefit overpayments	(2,693)
	(17,851)
	110,203

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

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

	31 March 2024			
	Council Tax	NNDR	Housing benefit overpayments	Total
Past due status	£'000	£'000	£'000	£'000
Past due less than 12 months	6,058	1,597	558	8,213
Past due more than 12 months	10,998	1,379	2,562	14,939
Total	17,056	2,976	3,120	23,152

3: NOTES TO THE FINANCIAL STATEMENTS

A summary of the loss allowance at the balance sheet date, analysed by class of debtor and showing separately the amounts determined on an individual and collective basis is set out in the following table.

	31 March 2024		
	Individual impairment £'000	Collective impairment £'000	Total £'000
- Council Tax	0	(8,036)	(8,036)
- NNDR	0	(1,219)	(1,219)
- Benefits	0	(2,693)	(2,693)
Total Allowance	0	(11,948)	(11,948)

27. Cash and Cash Equivalents

	31 March 2024 £'000
Cash in hand	2
Petty Cash and Imprest balances	115
Bank current accounts – cheque book schools	11,366
Call accounts (same day access funds)	21,558
Term & Notice Accounts	44,623
Money Market Funds	49,502
Other bank deposits	209
Cash and Cash Equivalents (balance sheet)	127,375
Bank Overdraft	(4,785)
Cash and Cash Equivalents (cash flow statement)	122,590

28. External Borrowing

	31 March 2024 £'000
Short-term Borrowing:	
Public Works Loan Board (inc. accrued interest)	(18,443)
Lender Option Borrower Option (LOBO) Loans	(153)
Local Bonds	(31)
Trust Funds	(67)
	(18,694)
Long-term Borrowing	
Public Works Loan Board	(221,628)
Lender Option Borrower Option (LOBO) Loans	(16,310)
	(237,938)
	(256,632)

3: NOTES TO THE FINANCIAL STATEMENTS

Analysis of loans by maturity:

Amounts repayable	31 March 2024 £'000
Within 1 year	(18,694)
Between 1 & 2 years	(1,218)
Between 2 & 5 years	(3,018)
Between 5 & 10 years	(36,567)
After more than 10 years	(197,135)
	(256,632)

29. Short-term Creditors

	31 March 2024 £'000
Trade payables	(39,642)
Other payables - capital	(18,568)
Other payables - revenue	(57,993)
Accountable body and Trust Funds	(9,522)
Other taxation and social security	(2,903)
Unpaid holiday pay	(7,695)
Lease liabilities	(100)
Service concession liabilities	(2,912)
	(139,335)

30. Contract and Other Liabilities

	31 March 2024 £'000
Deferred income (receipts in advance)	(1,813)
NNDR received in advance	(1,421)
Council Tax received in advance	(3,452)
Developer contributions - section 106 Town and Country Planning Act 1990 and sections 38 and 278 Highways Act 1980	(11,176)
Capital grants received in advance	(60,548)
Revenue grants received in advance	(9,655)
Other	(599)
	(88,664)

31. Provisions

	Insurance £'000	Business Rates Appeals £'000	Waste Disposal (Hosted) £'000	Other £'000	Total £'000
Balance at 1 April 2023	(3,740)	(1,534)	(3,093)	(800)	(9,167)
Additional provisions made in 2023-24	(987)	(3,578)	0	(1,334)	(5,899)
Provision utilised in year	0	2,306	1,123	179	3,608
Unused amounts reversed in year	0	0	0	0	0
Unwinding of discounting	0	0	0	0	0
At 31 March 2024	(4,727)	(2,806)	(1,970)	(1,955)	(11,458)
Disclosed as:					
At 31 March 2024					
Current component	(2,967)	(2,806)	(1,970)	(1,519)	(9,262)
Long-term component	(1,760)	0	0	(436)	(2,196)
	(4,727)	(2,806)	(1,970)	(1,955)	(11,458)
At 1 April 2023					
Current component	(1,154)	(1,124)	(3,093)	(289)	(5,660)
Long-term component	(2,586)	(410)	0	(511)	(3,507)
	(3,740)	(1,534)	(3,093)	(800)	(9,167)

(a) Insurance

The insurance provision includes amounts set aside to meet:

- uninsured liabilities including insurances excesses in respect of notified claims
- the estimated liability in respect of claims incurred but not reported.

(b) Business rates appeals

Under the business rates retention scheme, the Authority is responsible for meeting 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 £2,805,934 represents the Authority's share (49%) of the total provision at 31 March 2024 of £5,726,397 in respect of the potential refund of business rates income as a result of successful appeals for years up to and including 2023-24. The total provision at 31 March 2024 includes £1,225,211 in respect of potential obligations that may arise from successful appeals, made against the 2023 valuation list, £1,369,054 against the 2017 list and £211,669 against the 2010 list.

The total cost of appeals settled during 2023-24 was £4,705,644. The Authority's share of this cost was £2,305,766 (49%). Of this £2,305,766 was charged against the provision brought forward at 1 April 2023.

(d) Waste

Amounts set aside in respect of the settlement of disputed obligations associated with the Council's contract for waste disposal services.

(d) Other

Other provisions include amounts set aside to meet:

- obligations in respect of tax and national insurance contributions of contractors and agency staff.
- amounts set aside to meet costs arising from a negotiated settlement made in June 2017 in relation to the early termination of a management agreement for the provision of car parking within part of Workington town centre
- amounts set aside to meet costs associated with the settlement of cost share arrangements in respect of shared waste disposal services.

32. Long-term Creditors

	31 March 2024 £'000
Lease liabilities	(160)
Service concession (PFI/PPP) liabilities	(89,749)
	(89,909)

33. Other long-term liabilities

	31 March 2024 £'000
Developer contributions - section 106 of the Town and Country Planning Act 1990 and sections 38 and 278 of the Highways Act 1980	(2,739)
Capital grants received in advance	0
Deferred gain	(7,931)
	(10,670)

34. Pensions Accounted for as Defined Contribution Scheme

34.1 Teachers Pension Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries

The Scheme is a multi-employer, defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. However, the number of participating employers means it is not possible for the Authority to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023-24, the employer contribution rate was 23.68%. The amount recognised as an expense in respect of contributions payable to the Teachers' Pensions Scheme was £39,074. The employer contribution rate is 23.68%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 35.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

34.2 NHS Staff Pension Scheme

Council staff who transferred to the Authority from the NHS can choose to maintain their membership in the NHS Pension Scheme. Administered by the NHS Business Services Authority on behalf of the Department of Health and Social Care (DHSC), the Scheme provides these employees with specified benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. As a result, for the purposes of the Statement of Accounts, the Authority accounts for the scheme on the same basis as a defined contribution scheme.

In 2023-24, the amount recognised as an expense in respect of employer contributions payable to the NHS Pension Scheme was £1,431,932, representing 14.38% of pensionable pay.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in the Cumbria Local Government Pension Scheme (the Scheme). The Scheme is part of the Local Government Pension Scheme (LGPS) which is a funded, defined benefit pension arrangement for local authorities and related employers. Prior to local government reorganisation on 1 April 2023, the scheme was administered by Cumbria County Council (the Administration Authority). From 1 April 2023 responsibility for scheme administration passed to Westmorland and Furness Council.

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

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

The Scheme provides defined benefits to members (retirement lump sums and pensions) determined by reference to a formula based on employees earnings and years of service. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

Governance

Following local government reorganisation, governance of the Scheme is the responsibility of the Cumbria Pensions Committee. Membership of the Pensions Committee comprises eight Westmorland & Furness Councillors, three Cumberland Councillors and two employee representatives). The functions and responsibilities of the Committee include:

- carrying out - as the delegated decision-making body - the functions of Westmorland and Furness Council as the Administering Authority for the Cumbria Local Government Pension Scheme ("the Pension Fund") which includes its involvement in the Border to Coast Pension Partnership (BCPP) as the Council's approved Pension Pool
- ensuring the scheme complies with the Local Government Pension Scheme Regulations and all other relevant legislation, statutory guidance and Codes of Practices governing administration of the scheme
- set the investment objectives and policy and the strategic asset allocation in the light of the scheme's liabilities
- 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)
- monitoring the performance and effectiveness of the investment pooling operator
- appointing, dismissing and assessing the performance of investment managers in accordance with the Fund's Investment Strategy, where direct investments are maintained
- considering recommendations from the Cumbria Local Pensions Board, the Pensions Investment Subgroup and the Border to Coast Pensions Partnership Ltd (BCPP) Joint Committee
- approving the formal triennial actuarial valuation
- submitting the Cumbria Pension Fund Statement of Accounts to the Audit Committee and to approve the Cumbria Pension Fund Annual Report
- updating the Council updating on the governance, risk monitoring and performance of the Scheme
- receiving and where necessary instructing corrective action, in response to internal and external auditor reports
- reviewing and approving the Scheme's Training Policy
- approving the Annual Business Plan and associated Budget and reviewing performance against this throughout the year.

Advice was provided to the Pension Committee by Westmorland and Furness Council's Section 151 Officer, the 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.

3: NOTES TO THE FINANCIAL STATEMENTS

The Pensions Committee is supported by the Pensions Investment Sub-Group. Operating in an advisory role, the purpose of the Group is to assist the Committee by:

- carrying out investment asset class monitoring; i.e. monitoring investment performance and the progress of the implementation of the Cumbria Pension Fund's Investment Strategy.
- providing an update report to Pensions Committee outlining investment performance during the preceding period and escalating any matters of concern or for further consideration to the Pensions Committee.
- where appropriate, giving initial consideration to investment opportunities prior to their being considered by Pensions Committee.

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 Local Government Pension Scheme regulations 2013 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 framework and all aspects of management of the Scheme are set out in the various Scheme Policy Statements. These include:

- 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
- 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
- Cash Investment Policy, governing management of the Scheme's cash, bank account and investment of surplus cash
- Investment Strategy Statement, detailing how the Scheme's assets are invested, the fund managers and benchmarks and the Scheme's compliance with best practice in investment decision-making (Myners Principles)-and the Financial Reporting Council's UK Stewardship Code
- Discretions Policy, setting out the policy regarding the exercise of certain discretions to assist in the management of the Scheme
- Funding Strategy Statement, which identifies how the Scheme's pension liabilities will be funded in the longer term and addresses solvency issues
- The Governance Policy Statement, which sets out the roles and responsibilities and reports compliance against a set of best practice principles
- Internal Controls and Risk Management policy which sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk
- 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

3: NOTES TO THE FINANCIAL STATEMENTS

- Responsible Investment Policy - details how the Scheme takes its shareholder / investor responsibility seriously and how it is involved from an engagement and influence perspective on the wider ESG (Environmental, Social and Governance) agenda.
- Training Policy, setting out the policy on the training and development of members of all committees and officers responsible for management of the Scheme

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>

35.2 Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Teachers' Pension Scheme	2023/24 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000	
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	27,836	0	0	27,836
▪ past service costs (gains)	41	0	0	41
▪ (gain)/loss from curtailments	1,218	0	0	1,218
▪ administration expenses	1,265	0	0	1,265
Financing and Investment Income & Expenditure				
▪ net interest expense	(6,246)	561	484	(5,201)
▪ interest on asset ceiling	5,525	0	0	5,525
Total post-employment benefits charged to the surplus or deficit on the provision of services	29,639	561	484	30,684
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	(51,070)	0	0	(51,070)
▪ experience (gains)/loss on liabilities	9,790	107	89	9,986
▪ actuarial (gains) and losses arising on changes in financial assumptions	(20,605)	(69)	0	(20,674)
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(16,220)	(177)	(154)	(16,551)
▪ changes in the effect of the asset ceiling	78,601	0	0	78,601
	496	(139)	(65)	292
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	30,135	422	419	30,976

3: NOTES TO THE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Teachers' Pension Scheme	2023/24 Total
	Funded £'000	Unfunded £'000	Unfunded £'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	(29,639)	(561)	(484)	(30,684)
Actual amount charged against the General Fund Balance for pensions in the year:				
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	30,135	1,540	1,448	33,123

35.3 Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Teachers' Pension Scheme	2023/24 Total
	Funded £'000	Unfunded £'000	Unfunded £'000	£'000
Present value of the defined benefit obligation	(1,287,120)	(11,337)	(9,580)	(1,308,037)
Fair value of plan assets	1,486,352	0	0	1,486,352
	199,232	(11,337)	(9,580)	178,315
Asset Ceiling adjustment (Remeasurement) ¹	(199,232)	0	0	(199,232)
Net liability arising from the defined benefit obligation	0	(11,337)	(9,580)	(20,917)

¹ Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2024 the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. Therefore, there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

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

	Local Government Pension Scheme		Teachers' Pension Scheme	2023/24 Total
	Funded £'000	Unfunded £'000	Unfunded £'000	£'000
Opening fair value of scheme assets	1,382,624	0	0	1,382,624
Interest income	66,074	0	0	66,074
Remeasurement gain/(loss):				
return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	51,070	0	0	51,070
Employer contributions	30,135	1,540	1,448	33,123
Contributions by scheme participants	10,119	0	0	10,119
Benefits/transfers paid	(52,405)	(1,540)	(1,448)	(55,393)
Administration expenses	(1,265)	0	0	(1,265)
Closing balance at 31 March	1,486,352	0	0	1,486,352

3: NOTES TO THE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme		Teachers' Pension Scheme	2023/24 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000	
Opening balance at 1 April	(1,267,518)	(12,455)	(10,609)	(1,290,582)
Current Service Cost	(27,836)	0	0	(27,836)
Interest Cost	(59,828)	(561)	(484)	(60,873)
Contributions by scheme participants	(10,119)	0	0	(10,119)
Remeasurement gains and losses:				
• experience gains/(losses)	(9,790)	(107)	(89)	(9,986)
• actuarial gains and (losses) arising on changes in financial assumptions	20,605	69	0	20,674
• actuarial gains and (losses) arising on changes in demographic assumptions	16,220	177	154	16,551
Past Service Costs	(41)	0	0	(41)
(Gains)/losses on curtailments	(1,218)	0	0	(1,218)
Benefits paid	52,405	1,540	1,448	55,393
Closing balance at 31 March	(1,287,120)	(11,337)	(9,580)	(1,308,037)

35.6 Composition of Local Government pension scheme assets

Asset Class	Fair value at 1 April 2023 £'000	Fair value at 31 March 2024 £'000
Cash & cash equivalents		
Quoted cash accounts	35,948	25,268
Net current assets	1,383	0
Sub-total: Cash & cash equivalents	37,331	25,268
Equities		
Quoted global equity pooled	373,308	425,097
Quoted UK equity pooled	66,366	69,859
Quoted overseas equity pooled	66,366	80,263
Sub-total: Equities	506,040	575,219
Bonds		
Unquoted UK government indexed pooled	193,567	196,198
Sub-total: Bonds	193,567	196,198
Property		
UK property	67,749	68,372
Unquoted property funds	38,713	41,618
Sub-total: Property	106,462	109,990
Alternatives (Unquoted)		
Private equity funds	111,993	135,258
Infrastructure funds	183,889	209,576
Private debt fund	95,401	109,990
Healthcare royalties	22,122	26,754
Multi-asset credit	125,819	98,099
Sub-total: Alternatives	539,224	579,677
Total	1,382,624	1,486,352

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2022.

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

35.7a Local Government Pension Scheme

	2023/24	
	Beginning of period	End of period
Post retirement mortality assumptions		
Life expectancy at 65 for current pensioners:		
- Male	21.9 yrs	21.5 yrs
- Female	24.2 yrs	23.9 yrs
Life expectancy for future pensioners ages 65 in 20 years' time:		
- Male	23.3 yrs	22.8 yrs
- Female	26.0 yrs	25.7 yrs
Financial assumptions		
Rate of CPI inflation	2.7%	2.7%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.8%	4.9%

35.7b Teachers' Pension Scheme

	2023/24	
	Beginning of period	End of period
Post retirement mortality assumptions		
Life expectancy for current pensioner aged 65:		
- Male	21.9 yrs	21.5 yrs
- Female	24.2 yrs	23.9 yrs
Life expectancy for current pensioner aged 75:		
- Male	13.4 yrs	13.1 yrs
- Female	15.2 yrs	15.0 yrs
Financial assumptions		
Rate of CPI inflation	2.7%	2.7%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.9%	4.9%

35.8 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.

35.8a Local Government Pension Scheme

At 31 March 2024	Sensitivity analysis				
	Liabilities	Assets	(Deficit)/ Surplus	Projected Service Cost for next year	Projected Net Interest Cost for next year
	£'000	£'000	£'000	£'000	£'000
Central	(1,298,457)	1,486,352	187,895	26,632	(9,952)
+0.5% p.a. discount rate	(1,202,365)	1,486,352	283,987	22,816	(16,157)
+0.25% p.a. inflation	(1,349,351)	1,486,352	137,001	28,734	(7,421)
+0.25 p.a. pay growth	(1,306,084)	1,486,352	180,268	26,632	(8,541)
1 year increase in life expectancy	(1,328,656)	1,486,352	157,696	27,336	(8,435)
+1% change in 2023-24 investment returns	(1,298,457)	1,501,155	202,698	26,632	(10,677)
-1% change in 2023-24 investment returns	(1,298,457)	1,471,549	173,092	26,632	(9,227)

35.8b Teachers' Pension Scheme

At 31 March 2024	Sensitivity analysis			
	Liabilities	Assets	(Deficit)/ Surplus	Projected interest cost for next year
	£'000	£'000	£'000	£'000
Central	(9,580)	0	(9,580)	434
+0.5% p.a. discount rate	(9,326)	0	(9,326)	465
+0.25% p.a. inflation	(9,712)	0	(9,712)	440
1 year increase in life expectancy	(10,078)	0	(10,078)	458

35.9 Risks and Investment strategy

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

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the two unitary councils and the other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

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

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities
- support the regulatory requirement for contributions rates to be set at a level sufficient to secure the scheme's solvency and long-term cost efficiency
- have regard to the desirability of employer contribution rates remaining as stable as possible.

In setting and reviewing the Investment Strategy, the Administering Authority is required to take account of the form and structure of liabilities. Further details of the Scheme's exposure to financial risks in relation to investing activities and the strategies used to manage those risks are outlined below.

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term. To mitigate market value risk, the scheme has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The Scheme has also adopted benchmark limits on the different types of investments (asset classes) held. These are designed to diversify the risk and minimise the impact of poor performance in a particular asset class by achieving a spread of investments across both the main asset classes and geographic/political regions within each asset class. Mitigation against market risk is also achieved by diversifying across multiple investment managers and by regularly reviewing the Investment Strategy and performance of the Scheme.

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

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

Currency risk: The Scheme holds a range of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. The Scheme seeks to mitigate losses due to adverse movements in foreign currency exchange rates by investing in a diversified portfolio of assets, using active management, maintaining an unhedged listed equity exposure (to provide diversification during extreme markets movement) and hedging other lower-risk assets back to sterling where practical and possible.

Credit/Counterparty risk: Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The Scheme seeks to mitigate this risk through the use of reputable service providers who operate effective controls. Key tools in this process are the involvement of Independent Advisors, robust procurement and ongoing contract monitoring and management.

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

Other risks

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

In addition, there is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. The sensitivity of the estimated defined benefit obligation to changes in the actuarial assumptions is set out in note 38.8. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

35.10 Impact on the Authority's Cash Flows

Funding the liabilities

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

The most recent actuarial valuation was carried out as at 31 March 2022. This showed an excess of assets over liabilities of £0.309 billion (assets of £3.318 billion against accrued liabilities of £3.009 billion), equivalent to a solvency funding level of 110% of the Scheme's liabilities. At the previous valuation (31 March 2019) the shortfall of assets against liabilities was £0.028 billion (assets of £2.703 billion against accrued liabilities of £2.731 billion), equivalent to a solvency funding level of 99% of the Scheme's liabilities. The key reasons for the changes between the two valuations include the level investment returns achieved compared to assumptions, changes to life expectancy assumptions less the impact of observed inflation during the period September 2021 to March 2022.

On 1 April 2023, pension liabilities for active members relating to Cumbria County Council were allocated between the successor authorities based on service disaggregation and associated staff allocations. Liabilities relating to non-active members (pensioners and deferred members) were allocated based on relative pensionable pay of the successor authorities (Westmorland 43.1%, Cumberland 55.7% and Fire 1.2%). Liabilities relating to the legacy districts have been allocated directly to the related successor authority.

Projected contributions to the scheme in 2024-25 – Local Government Pension Scheme

Projected employer contributions which the Authority expects to pay in 2024-25 is £30.424m. This comprises normal contributions of £28.884m, and a recharge of unfunded benefits of £1.540m.

The weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 18 years.

3: NOTES TO THE FINANCIAL STATEMENTS

Projected contributions to the scheme in 2024-25 – Teachers’ Pensions Scheme

Projected employer contributions which the Authority expects to pay in 2024-25 is £1.448m.

The weighted average duration of the Authority’s defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 5 years.

36. Financial Instruments

36.1 Financial Instruments by category

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories as defined in IFRS 9 and the Code of Practice on Local Authority Accounting. The accounting policies set out in section 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 2024					
Long-term investments	24	0	3,116	1,592	4,708
Long-term debtors	-	615	0	0	615
Short-term investments	24	0	0	0	0
Short-term debtors	25	72,990	0	37,213	110,203
Cash & cash equivalents	27	77,873	49,502	0	127,375
Total for category		151,478	52,618	38,905	243,001

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 lease & service concession liabilities £'000	Other Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2024					
Bank overdraft	27	(4,785)	0	0	(4,785)
Short-term borrowing	28	(18,694)	0	0	(18,694)
Short-term creditors	29	(97,123)	(3,012)	(39,200)	(139,335)
Long-term borrowing	28	(237,938)	0	0	(237,938)
Long-term creditors	32	0	(89,909)	0	(89,909)
Total for category		(358,540)	(92,921)	(39,200)	(490,661)

Information about the fair value at each class of financial instruments is given in notes 36.5 and 36.6.

36.2 Material Soft Loans made by the Authority

The Authority does not have any material soft loans.

36.3 Reclassification of financial assets

There has been no reclassification of financial assets during 2023-24.

36.4 Defaults and breaches

There have been no defaults of loans payable as at 31 March 2024.

36.5 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 March 2024 £'000
Money Market Funds (AAA rated)	27	1	49,502
CCLA - Local Authorities Property Investment Fund		2	3,103
Unquoted Equity Investments (shares)	24	2	13
Secured loan notes - AIP LLP	24	3	0

Money Market Funds - level 1

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

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

CCLA - Local Authorities Property Investment Fund – level 2

The fair value of units held in the CCLA Local Authorities Property Investment Fund is measured using a mid-market price (net asset value per unit) within the bid-ask spread.

Unquoted equity investments - level 2

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

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

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

At 31 March 2024, the fair value estimate has been calculated by discounting the expected cash flows over an expected term of between 2 and 3 years at a discount rate of 13%.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Changes in the Valuation Technique

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

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.

2023/24	AIP LLP loan notes £'000
Carrying amount at 1 April	638
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services ¹	(338)
Additions	
Disposals	(300)
Carrying amount at 31 March	0

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

36.6 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
- Short-term investments
- Other short term borrowing maturing within 12 months of the balance sheet date.
- Long-term debtors.

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 2024 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(240,071)	-	-	(192,913)	(192,913)
LOBO Loans	(16,463)	-	-	(16,414)	(16,414)
Lease liabilities	(260)	-	-	(260)	(260)
PFI liabilities	(92,661)	-	-	(141,458)	(141,458)
At 31 March 2024	(349,455)	0	0	(351,045)	(351,045)

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

PWLB Debt

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

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

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

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

The fair value of PWLB debt of £192,913k does not represent the amount at which the Authority could settle, prematurely, its outstanding loans with the PWLB. At the balance sheet date, the amount payable by the Authority to repay its PWLB debt prematurely - measured using PWLB premature repayment rates was £220,460k.

Lender Option Borrower Option (LOBO) Debt

The fair value of the LOBO debt is calculated by discounting the contractual cash flows using a discount rate derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. These rates are adjusted to reflect market participant's assumptions of the Authority's own non-performance risk by using the estimated credit spread between gilt yields and PWLB new loans rates and yields on AA rated loans with similar repayment terms.

Lease and PFI liabilities

The fair values of finance lease assets and liabilities and of PFI scheme liabilities are calculated by discounting the contractual cash flows using a discount rate derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. These rates are adjusted to reflect market participant's assumptions of the Authority's own non-performance risk by using the estimated credit spread between gilt yields and PWLB new loans rates and yields on AA rated loans with similar repayment terms.

37. Nature and extent of risks arising from financial instruments

37.1 Risk management objectives and policies

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

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

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

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

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

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

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

37.2 Credit Risk

Risk Management

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

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

- restricting the counterparties with whom investments may be placed to those financial institutions and other bodies with a minimum rating across all three of the main credit ratings agencies (Fitch, Moody's and Standard & Poor's) of A- (or equivalent) - long-term, and A-1 (or equivalent) - short-term. For Money Market Funds the minimum credit rating is AAmmf
- placing restrictions on the types of investment instruments that may be used
- setting limits on the principal amounts invested and duration of individual instruments dependent on the financial standing (creditworthiness) of the counterparty.

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

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

With the exception of funds placed with HM Treasury's Debt Management Office, the maximum amount that may be placed with any institution or group of institutions that are part of the same banking group is between £10m and £25m depending on the credit score assigned using the creditworthiness service provided by the Authority's treasury advisors. All new investments are subject to a maximum maturity of 365 days.

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

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

37.3 Impairment of financial assets

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

Trade Receivables

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

3: NOTES TO THE FINANCIAL STATEMENTS

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

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

On the above basis, the expected loss allowance at 31 March 2024 for trade and other receivables is as follows:

At 31 March 2024	Total ¹	Not past due (0 - 30 days)	31 - 60 days	61 -90 days	Over 90 days ²
Past due status	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	2,453	1,195	83	0	1,175
Expected credit loss (individually assessed)	(1,002)	0	0	0	1,002
Debtors collectively assessed	10,190	4,172	1,190	647	4,180
Loss rate	-	2%	4%	4%	62%
Expected credit loss (collectively assessed)	(2,734)	84	48	26	2,576
Total Lifetime Expected credit losses	3,736	84	48	26	3,578

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

² Collectively assessed balance includes £1.4m of debt relating to the former Cumbria County Council

The closing balance of the trade receivables loss allowance at 31 March 2024 reconciles with the trade receivables loss allowance opening balance as follows:

	2023/24 £'000
Opening loss allowance as at 1 April (IFRS 9)	(2,071)
Loss allowance recognised during the year	(1,665)
Receivables written off during the year	0
Loss allowance unused and reversed during the year	0
Loss allowance as at 31 March	(3,736)

The Authority also has debtor balances of £11,614k in respect of residential and non-residential care charges owed by individuals, £596k of which classified as long-term (non-current). This includes debt subject to deferred payment agreements and secured by a charge on property. At 31 March 2024 the expected credit loss in respect of this debt was £2.167m.

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

	Credit rating	31/03/24 £'000
Call / Notice accounts	AA-	34,615
Call / Notice accounts	A+	10,008
Current account	A+	-
		44,623
Other bank deposits	A	209
		44,832

Historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard & Poor's, shows the probability of default for assets rated A/AA at between 0.02% and 0.05%. The 12-month expected credit loss on these assets at 31 March 2024 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 2024, the gross carrying amount of long-term debtors measured at amortised cost is £58,095.

The closing balance of the loss allowance for other receivables at 31 March 2024 reconciles with the other receivables loss allowance opening balance as follows:

	2023/24 £'000
Opening loss allowance as at 1 April	(58)
Loss allowance recognised during the year (lifetime ECLs)	0
Receivables written off during the year	0
Loss allowance unused and reversed during the year	0
Loss allowance as at 31 March	(58)

37.4 Maximum exposure to credit risk at the reporting date

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

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

Financial guarantees

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

Prior to local government reorganisation Allerdale Borough Council and Carlisle City Council entered into an arrangement to guarantee loan stock issued by Home Housing Association. In accordance with transitional provisions contained in the Code, this guarantee is recognised and measured in accordance with section 8.2 of the Code - Provisions, Contingent Liabilities and Contingent Assets (IAS 37) rather than Chapter 7 - Financial Instruments (IFRS 9). Further details, including the maximum exposure to credit losses in respect of this guarantee, are set out in note 45.

37.5 Collateral and Other Credit Enhancements

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

With the exception of social care deferred payment debts secured by a legal charge over the individual's property none of the Authority's other financial assets are secured by collateral or other credit enhancements.

37.6 Liquidity Risk

The Authority's policy is to ensure:

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

The Authority manages its liquidity needs by:

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

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

3: NOTES TO THE FINANCIAL STATEMENTS

37.7 Contractual maturity analysis – non-derivative financial liabilities

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

At 31 March 2024	PWLB £'000	LOBO loans £'000	Local Bonds & Trust Funds £'000	PFI liabilities £'000	Lease liabilities £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:								
Under 12 months	(24,239)	(869)	(98)	(14,669)	(117)	(4,785)	(97,123)	(141,900)
12 months and within 24 months	(9,056)	(867)	0	(60,074)	(103)	0	0	(70,100)
24 months and within 5 years	(26,338)	(2,603)	0	(78,258)	(69)	0	0	(107,269)
5 years and within 10 years	(73,498)	(4,337)	0	(36,315)	0	0	0	(114,151)
10 years and within 20 years	(80,863)	(23,430)	0	(2,735)	0	0	0	(107,028)
20 years and within 30 years	(111,883)	0	0	0	0	0	0	(111,883)
30 years and within 40 years	(72,224)	0	0	0	0	0	0	(72,224)
40 years and within 45 years	(54,040)	0	0	0	0	0	0	(54,040)
	(452,141)	(32,107)	(98)	(192,051)	(289)	(4,785)	(97,123)	(778,594)
Effect of discounting	214,818	15,784	0	99,930	29	0	0	330,021
Interest accrual	(2,748)	(139)	0	0	0	0	0	(2,887)
Balance sheet carrying amount at 31 March 2024	(240,071)	(16,463)	(98)	(92,661)	(260)	(4,785)	(97,123)	(451,460)

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.

37.8 Interest rate risk

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

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and will affect the General Fund Balance.

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

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

The Authority's policy objective is to manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy. Subject to consideration of any policy or budgetary implications, this is achieved by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

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

At 31 March 2024 all PWLB borrowing was at fixed rates.

The terms of the Authority's two Lender Option Borrower Option (LOBO) loans provide the lender with the option to alter the interest rate charge on the semi-annual interest repayment dates within a specified three-day notice period. Where this option is exercised by the lender, the Authority 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.

37.9 Price risk

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

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

A general shift of 5% in the general price of these instruments (positive or negative) would thus have resulted in a gain or loss of approximately £155k being recognised in the Surplus or Deficit on the Provision of Services. However statutory accounting provisions currently prevent such gains or losses from impacting on the Authority's general fund.

37.10 Currency risk

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

38. Cash Flows from Operating Activities

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

	2023/24 £'000
Net Surplus or (Deficit) on the Provision of Services	39,904
Adjust net surplus or deficit on the provision of services for non-cash movements	
Depreciation and amortisation	50,440
Impairment and downward valuations	1,743
Increase/(Decrease) in interest creditors	(86)
Increase/(Decrease) in creditors	10,519
(Increase)/Decrease in interest and dividend debtors	(8)
(Increase)/Decrease in debtors	4,746
(Increase)/Decrease in inventories	(226)
Movement in pension liability	(2,439)
Contributions to/(from) provisions	2,291
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,690
Movement in investment property values	(3,115)
Other non-cash items	(186)
	67,369
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
Proceeds from short-term investments, long-term investments & long-term debtors	226
Capital Grants credited to surplus or deficit on the provision of services	(94,839)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(785)
	(95,398)
Net Cash Flows from Operating Activities	11,875

3: NOTES TO THE FINANCIAL STATEMENTS

38.2 Cash Flows from Operating Activities (Interest)

	2023/24 £'000
Cash flows from interest receivable	
Interest and dividends receivable	(14,355)
Opening debtor	(654)
Closing debtor	326
Other non-cash movements	(580)
Interest Received	(15,263)
Cash flows from interest payable	
Interest charge for year	24,400
Opening creditor	2,973
Closing creditor	(2,887)
Other non-cash movements	11
Interest Paid	24,497

39. Cash Flows from Investing Activities

	2023/24 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(92,825)
Purchase of short-term and long-term investments	62,991
Capital grants repaid	0
Other payments for financing activities	
Proceeds from the sale of property plant & equipment, investment property and intangible assets	6,185
Proceeds from redemption of short-term long-term investments	225
Capital Grants received	81,139
Other receipts from Investing Activities	21,023
Total Cash Flows from Investing Activities	78,738

40. Cash Flows from Financing Activities

	2023/24 £'000
Cash receipts from short and long- term borrowing	0
Repayment of short-term and long-term borrowing	(6,885)
Cash payments for the reduction of the outstanding liabilities relating to leases and on-balance-sheet PFI/PPP contracts	(3,017)
Billing Authorities - Council Tax and NNDR adjustments	5,185
Agency balances - Accountable Body grants	(290)
Agency balances - Covid-19 grants, Council Tax Rebate & Energy Support Funding	(2,903)
Other Agency balances	545
Total Cash Flows from Financing Activities	(7,365)

41. Reconciliation of Liabilities arising from Financing Activities

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

	1 April 2023 £'000	Financing cash flows £'000	Other changes		31 March 2024 £'000
			Acquisition £'000	Other ¹ £'000	
Long-term borrowing	(253,644)	0		15,706	(237,938)
Short-term borrowing	(9,970)	(6,885)		(15,609)	(18,694)
	(263,614)	(6,885)	0	97	(256,632)
Lease liabilities	(385)	(125)			(260)
PFI liabilities	(95,553)	(2,892)			(92,661)
	(95,938)	(3,017)	0	0	(92,921)
Billing Authorities - Council Tax and NNDR adjustments ²	5,090	5,185	0	0	(95)
Accountable Body grants	(421)	(290)	0	0	(131)
Agency balances	(8,977)	545	0	0	(9,522)
Council Tax rebate & Energy Support Funding	(3,283)	(2,903)	0	0	(380)
Total liabilities from financing activities	(367,143)	(7,365)	0	97	(359,681)

¹Other [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 Authority classifies interest paid as cash flows from operating activities.

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

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

42. Leases

42.1 Finance leases – Authority as Lessee

Assets acquired

The Authority 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 carrying amounts:

	At 31 March 2024 £'000
Vehicles, Plant, Furniture & Equipment	337
	337

Minimum lease payments

Future minimum lease payments under non-cancellable finance leases together with the present value of the net minimum lease payments are, as follows:

At 31 March 2024	Minimum Lease Payments £'000	Finance charges £'000	Present value of minimum lease payments £'000
Amounts payable:			
Not later than one year	(117)	17	(100)
Later than one year and not later than five years	(171)	11	(160)
Later than five years			
Total	(288)	28	(260)

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.

42.2 Operating Lease – Authority as Lessee

The Authority leases a number of properties, vehicles, plant and equipment under operating lease arrangements. This includes a Multi-Storey car park in Workington, properties used to meet homeless accommodation needs.

Future minimum lease payments under non-cancellable operating leases at 31 March are as follows:

	At 31 March 2024 £'000
Amounts payable:	
Not later than one year	1,727
Later than one year and not later than five years	3,515
Later than five years	6,225
Total	11,467

43. Service Concession Arrangements (PFI/PPP)

The Council currently has two PFI/PPP contracts which are detailed below. Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability is established at the same time that the assets are recognised on the Balance Sheet i.e. when they become operational.

Waste Management Contract

The Waste Management Contract was signed in June 2009; it is a 25 year Public Private Partnership (PPP) contract between the Council and Renewi plc. Following local government reorganisation the contract was novated to Cumberland Council as the host Authority for waste disposal services across the county. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, Renewi constructed two waste treatment facilities; one in the north of the County (Carlisle) and one in the south (Barrow). These are designed to dramatically reduce the amount of residual waste sent to landfill. Renewi are also responsible for managing, maintaining and operating the existing 14 Household Waste Recycling Centres across the County. At the end of the concession period the waste treatment plants will be transferred to the Council's ownership.

The waste treatment facility in Carlisle (Hespin Wood) became operational in December 2011 and the facility in Barrow in January 2013.

Carlisle Northern Development Route (CNDR)

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009 by the former Cumbria County Council; it is a 30 year Private Finance Initiative (PFI) contract between the Council and Connect CNDR Ltd. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The contract covers the design, construction, financing, operation and maintenance of a new 8.3km largely single carriageway road connecting the north and west of Carlisle. The aim of the project is to relieve pressure on radial routes within Carlisle, which is seen as key to the development of the strategic employment site at Kingmoor Park to its full potential. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area. At the end of the concession period the road will be transferred to the Council's ownership.

Refinancing of the contract was concluded in December 2018, with Cumbria County Council electing to take its share of the gain from the re-financing as an upfront lump sum receipt of £10.574m in 2018-19. The gain is held on the Council's Balance Sheet as deferred income and released to the Comprehensive Income and Expenditure Statement over the remaining contract term to offset the interest charge.

As the annual sum (£529k) is released from deferred income a corresponding transfer is made to the PFI Earmarked Reserve. At 31 March 2024 the balance of deferred income was £7.931m and the PFI Earmarked Reserve balance £21.333m.

3: NOTES TO THE FINANCIAL STATEMENTS

43.1 Service Concession assets included in property, plant and equipment

The value of assets held under service concession arrangements at the Balance Sheet date, and the movement in those values during the year are as follows:

2023/24	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Cost or Valuation			
At 1 April 2023	37,785	60,091	97,876
Additions	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals & other	0	0	0
Transfers	0	0	0
At 31 March 2024	37,785	60,091	97,876
Accumulated Depreciation & Impairment			
At 1 April 2023	0	(16,389)	(16,389)
Depreciation charge	(1,660)	(2,185)	(3,845)
Depreciation written out to the Revaluation Reserve	0	0	0
Derecognition - disposals & other	0	0	0
At 31 March 2024	(1,660)	(18,574)	(20,234)
Net Book Value at 31 March 2024	36,125	42,373	77,642
Net Book Value at 1 April 2023	37,785	44,608	81,487

43.2 Payments due to be made under service concession arrangements

The Authority makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year. Payments remaining to be made under the service concession contracts at 31 March 2024 (including an estimate of inflation at 2.5% p.a. but excluding any future availability/performance deductions) are as follows:

At 31 March 2024	Service charges £'000	Repayment of liability £'000	Interest £'000	Contingent rentals £'000	Total £'000
Amounts payable within:					
12 months	27,937	2,912	11,757	2,058	44,664
2 to 5 years	120,388	17,801	42,274	8,604	189,066
6 to 10 years	172,294	43,617	34,641	11,331	261,883
11 to 15 years	55,306	25,745	10,570	14,215	105,836
16 to 20 years	2,316	2,587	148	1,537	6,588
	378,241	92,662	99,390	37,745	608,037

3: NOTES TO THE FINANCIAL STATEMENTS

43.3 Movement in PFI Liabilities

Although the payments made to the operators are described as unitary payments, they have been calculated to compensate the operator for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed. The liabilities remaining to be paid to the operators for capital expenditure incurred is as follows:

2023/24	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Balance outstanding at start of year	(41,691)	(53,862)	(95,553)
Payments during the year	1,833	1,059	2,892
Capital expenditure incurred in the year	0	0	0
Balance outstanding at year-end	(39,858)	(52,803)	(92,661)
Amounts falling due:			
Within one year	(1,290)	(1,622)	(2,912)
After more than one year	(38,568)	(51,181)	(89,749)
	(39,858)	(52,803)	(92,661)

44. Related Party Transactions

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

- 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
- Transactions and balances with Central Government, Cumbria Commissioner Fire & Rescue Authority and Police and Crime Commissioner for Cumbria - in respect of council tax and NNDR - are disclosed in the Collection Fund Account and supporting notes
- Transactions and balances with Pension Funds are summarised in notes 34 and 35
- Remuneration of key management personnel is disclosed in note 13 - Members' Allowances and note 14 - Officers' Remuneration.

Transactions with Subsidiaries

Allerdale Waste Services Limited

During the year to March 2024, the Authority made payments to the Company for waste collection and recycling services of £4,608,422.

3: NOTES TO THE FINANCIAL STATEMENTS

During 2023-24, the Authority made sales and recharged costs to the company totalling £566,402. The Authority also paid and recharged the Company payroll costs totalling £2,314,755.

At 31 March 2024, amounts owed by the Company to the Authority totalled £405,564.

During 2023-24, the company occupied property and had use of vehicles owned by the Authority. No amounts were paid to Cumberland Council in return for use of these assets.

Transactions with Joint Ventures

During 2024-24 the Authority received a dividend payment of £7.0m from Cumbria County Holdings Limited

Prior to disposal of the Cumbria Waste Group by Cumbria County holdings in December 2023 (see note 51) the Authority made purchases from Cumbria Waste Management and its wholly owned subsidiary Cumbria Waste Recycling totalling £1,151,748 and £119,204 respectively.

The Authority also made purchases of £1,531,422 from Orian Solutions Limited. A wholly owned subsidiary of Cumbria County Holdings Limited. Trade and other payables at 31 March 2024 included amounts due to Orian Solutions Limited of £8,833.

Allerdale Investment Partnership LLP

At 31 March 2024 the Authority held Secured Investor Loan Notes 2034, issued by Allerdale Investment Partnership LLP. These loan notes were issued at par with an issue value (principal only) of £692,024. The balance held comprises:

- £1,522,500 in respect of loan notes issued in 2014-15 in connection with the sale of surplus land to wholly owned subsidiaries of the partnership
- £222,000 in respect of additional loan notes issued in 2015-16 less
- principal repayments made in 2018-19 (£206,953), 2021-22 (£620,426) and 2023-24 (£225,097).

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

To date repayments of £1,375,000 in respect of principal and interest (for periods ending on or before 31 March 2017) have been received by the Authority in 2018-19 (£250,000) 2021-22 (£825,000) and 2023-24 (£300,000).

At 31 March 2024, the balance of principal and interest outstanding on the Allerdale Investment Partnership LLP Secured Investor Loan Notes 2034 was £922,300. These loan notes are reported in the Authority's balance sheet at 31 March 2024 at a carrying value (fair value) of £0, reflecting the estimated amount of future repayments and the high level of uncertainty regarding the timing and amount of those repayments.

45. Contingent Assets and Liabilities

45.1 Home Housing Association

Prior to reorganisation Allerdale Borough Council and Carlisle City Council entered into a joint scheme with Home Housing Association to secure the development of houses to rent at five sites in Workington, Silloth, Cockermouth and Keswick and at two sites at Heysham Nursery and Gelt Road, Brampton. To fund the development programme

3: NOTES TO THE FINANCIAL STATEMENTS

Home Housing Association, raised in three tranches £100 million of loan stock which will mature in 2037.

In order to enable Home Housing Association to raise private finance from institutional investors, all participating authorities were required to enter into a standard form of guarantee under which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There are nineteen authorities participating in the scheme. On vesting day the guarantees provided by Allerdale Borough and Carlisle City Council transferred to Cumberland Council.

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

As the liability is joint and several the maximum liability of each authority under guarantee is £100 million. Given authorities would not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee there is therefore a Counter Indemnity and Contribution arrangement in place. Under this arrangement each participating Authority undertakes to reimburse any other authority or authorities paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the Guarantee were called in, the worst situation for the Authority would be that once it had recovered any contribution from other authorities, it would be left to fund no more than the cost of the development in its own area. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on. The latest schedule of guarantee levels indicates the Authority's Estimated Development Expenditure at £6,405,000 from an overall total of £84,100,000.

45.2 Municipal Mutual Scheme of Arrangement

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

Control of the Company has passed to a Scheme Administrator who, after carrying out a review of the assets and liabilities of MMI, advised the creditors of an initial levy rate of 15% on all claims paid to date within the scheme structure which exceeded £50,000 in aggregate. The initial levy rate, set in 2013-14 was subsequently increased to 25% from 1 April 2016. To date, the Authority has made levy payments of £1,216,477 against claim payments of £4,915,908. The levy rate is reviewed annually by the scheme administrator. No further changes to the payment percentage and levy rate are currently anticipated.

At 31 March 2024, no further provision has therefore been made for additional levy payments that would become payable should the Scheme Administrator increase the levy rate further. In the event that the levy rate is increased, the maximum additional levy payable by the Authority is £3,649,431.

46. Trust Funds

The Authority acts as sole Trustee for, Keswick Museum and Art Gallery and Helena Thompson Museum.

3: NOTES TO THE FINANCIAL STATEMENTS

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

Cumberland Council is the sole trustee of Keswick Museum and Art Gallery, an unincorporated charitable trust established under a charity scheme dated 11 January 1995. The objects of which are to maintain a public museum. Property of the trust - vested in the Authority as sole trustee - comprises the museum building situated at Station Road, Keswick and the Museum Collections & Exhibits.

Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2023-24 the Trust received a contribution of £21,430 from Cumberland Council. The museum is managed on behalf of the Authority by Keswick Museum and Art Gallery Management Limited (Registered Charity Number: 1156330). The Keswick Museum and Art Gallery accounts are summarised below.

Summary Statement of Financial Activities	2023/24 £
Income	
Contribution from Cumberland Council	(21,430)
Donations	0
Total Income	(21,430)
Expenditure	
Direct charitable expenditure	21,430
(Gain)/loss on disposal of fixed assets	
Total Expenditure	21,430
Net (income)/Expenditure for the year	0
Other gains and losses	
(Gains)/loss on revaluation of fixed assets	0
Net (increase)/decrease in funds	0

Summary Balance Sheet	31/03/24 £
Heritage Assets	1,134,140
Total Fixed Assets	1,134,140
Cash & cash equivalents	0
Total Current Assets	0
Net Assets	1,134,140
Represented by:	
Unrestricted income funds	0
Designated funds:	0
Museum Collections & Exhibits	1,134,140
	1,134,140

46.2 Helena Thompson Museum (Registered Charity Number 1119567)

Cumberland Council is the sole trustee of the Helena Thompson Museum, an unincorporated charitable trust established under the will of the late Helena Agnes Mary Thompson. The trust exists to maintain in good repair and condition, the museum property (comprising the museum buildings, ground and collections), to support the purchase of antiques and articles of local interest for the museum and to fund the general

3: NOTES TO THE FINANCIAL STATEMENTS

expenses of the museum. The Trust property is vested in the Authority as sole trustee and held on charitable trust for use as a museum in accordance with the provisions of the will.

Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2023-24 the Trust received from Cumberland Council a contribution of £94,297. The museum is managed on behalf of the Authority by Workington Heritage Group Limited ("WHG") (Registered Charity Number: 1127084). The Helena Thompson Museum accounts are summarised below.

Summary Statement of Financial Activities	2023/24 £
Income	
Contribution from Cumberland Council	(94,297)
Investments	0
Total Income	(94,297)
Expenditure	
Direct charitable expenditure	94,297
Depreciation of buildings	19,308
Revaluation and impairment of fixed assets	
Total Expenditure	113,605
Net (income)/Expenditure for the year	19,308
Other gains and losses	
(Gain)/loss on revaluation of fixed assets	0
Net (increase)/decrease in funds	19,308

Summary Balance Sheet	31/03/24 £
Tangible Assets	566,384
Heritage Assets	565,975
Investments	12,361
Total Fixed Assets	1,144,720
Cash & cash equivalents	0
Total Current Assets	0
Net Assets	1,144,720
Represented by:	
Restricted fund - Tangible assets	434,490
Revaluation reserve - Tangible assets	131,894
Restricted fund - Heritage assets	1,000
Revaluation reserve - Heritage assets	564,975
Restricted fund - Permanent endowment	12,361
	1,144,720

46.3 Other Funds

The Authority also acts as administrator and/or trustee for a number of charitable and other funds. These funds do not represent assets of the Authority and are not included in the Authority's Balance Sheet. At 31 March 2024 the total value of these funds was £136,021.

3: NOTES TO THE FINANCIAL STATEMENTS

47. Interests in subsidiaries

Set out below are the details of subsidiaries held directly by the Authority:

Name of subsidiary	Country of incorporation & principal place of business	Entity Type	Principal activity	Ownership Interest held	Retained profit/(loss) 2023/24 £000	Net Assets at 31 March 2024 £000	Note
Allerdale Waste Services Limited	UK	Company (limited by share capital)	Waste Collection & recycling	100% ordinary share capital	(70)	(74)	1
Industrial Solutions Hub (iSH) Limited	UK	Company limited by guarantee without share capital	Development of industrial clusters	More than 75% of voting rights held	0	0	2
Keswick Museum and Art Gallery	UK	Unincorporated charitable trust	Provide & maintain a public museum.	Sole Trustee	0	1,134	3
Helena Thompson Museum.	UK	Unincorporated charitable trust	Provide & maintain a public museum.	Sole Trustee	(19)	1,145	4

- Allerdale Waste Services Limited: Following local government reorganisation the company continued to provide waste collection and recycling services in the former Allerdale area. In 2024-25 these services were brought in house and the company ceased trading.
- Industrial Solutions Hub (iSH) Limited: Under the Memorandum and Articles of Association income and property of the Company may only be applied towards promoting the objects of the Company. Income and property cannot be paid or transferred directly or indirectly by way of dividends, bonus or otherwise to any member of the Company. The Memorandum and Articles of Association further prohibit residual assets from being paid or distributed among members of the Company in the event of winding up or dissolution and must instead be given or transferred to some other institution(s) having similar objects and which prohibit distribution of their income and property to its or their members.
- Keswick Museum and Art Gallery: Income and property of the Trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objects of the Trust. Income of the Trust may only be applied for the purposes set out in the sealed charity scheme dated 11 January 1995. The Authority is not permitted to apply income of the charity directly in relief of rates, taxes or other public funds.
- Helena Thompson Museum: Income and property of the Trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objectives of the trust.

Further information including summarised financial information relating to Keswick Museum and Art Gallery and the Helena Thompson Museum is set out in note 46 to the Accounts.

48. Interest in joint arrangements & associates

Cumbria County Holdings Limited

The Authority has 50% shareholding in Cumbria County Holdings Ltd (CCHL), a private company limited by share capital. The remaining 50% shareholding is held by Westmorland and Furness Council with whom it shares joint control of the Company.

At 31 March 2024 Cumbria County Holdings Limited had one wholly owned subsidiary Oran Solutions Limited. Oran Solutions Limited in turn held 100% of the issued share capital in SLS (Cumbria) Limited.

Summarised financial information about the joint venture, based on its consolidated IFRS financial statements is set out below:

	31/03/24 £'000
Non-current assets	1,544
Current assets ¹	10,730
Current liabilities ²	(3,100)
Non-current liabilities ³	(273)
Net Assets	8,901
<i>Included in the above amounts are:</i>	
¹ Current assets - Cash and cash equivalents	6,942
² Current financial liabilities (excluding trade & other payables and provisions)	(1,091)
³ Non-current financial liabilities (excluding trade payables and other payables and provisions)	(273)

	2023/24 £'000
Revenue	64,672
Profit or (loss) from continuing operations ¹	448
Post tax profit or (loss) from discontinued operations	631
Other comprehensive income for the year	(479)
Total comprehensive income for the year	600
¹ Included in the above amounts are:	
Depreciation and amortisation	1,783
Interest income/(expense)	(311)
Corporation tax (expense)/income	(184)
Authority's (& Group's) share of profit/(loss) for the year	(300)
Dividends received by group from joint venture	7,000

Sale of Cumbria Waste Group

On 23 December 2023 Cumbria County Holdings Limited sold its interest in the Cumbria Waste Group comprising Cumbria Waste Management Limited (a wholly owned subsidiary of Cumbria County Holdings Limited) and its two wholly owned subsidiaries Cumbria Waste Recycling Limited and Lakeland Waste Management Limited.

Cumbria County Holdings received proceeds of £15,063,172 and a gain of £11,692,928 was recognised in the single entity financial statements of Cumbria County Holdings Limited. A loss on disposal of £3,179,000 was recognised in the consolidated profit and loss statement of Cumbria County Holdings group.

3: NOTES TO THE FINANCIAL STATEMENTS

Allerdale Investment Partnership LLP

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

At 31 March 2024 Allerdale Investment Partnership LLP had three wholly owned subsidiaries

Name of subsidiary	Country of incorporation & principal place of business	Principal activity	Ownership Interest held by Cumberland Council
A.I.P. (Derwent Riverside) Limited	UK	Development of building projects	50% indirect
A.I.P. (Ashfield Road and Ellerbeck Lane) Limited	UK	Development of building projects	50% indirect
A.I.P. (Church Street) Limited	UK	Development of building projects	50% indirect

Summarised financial information about the joint venture, based on its consolidated IFRS financial statements is set out below:

	31/03/24 £'000
Non-current assets	0
Current assets ¹	594
Current liabilities ²	(54)
Non-current liabilities ³	(1,312)
Net Assets	(772)
<i>Included in the above amounts are:</i>	
¹ Current assets - Cash and cash equivalents	476
² Current financial liabilities (excluding trade & other payables and provisions)	0
³ Non-current financial liabilities (excluding trade payables and other payables and provisions) - long term borrowing	(1,312)

3: NOTES TO THE FINANCIAL STATEMENTS

	2023/24 £'000
Revenue	0
Profit or (loss) from continuing operations ¹	(651)
Post tax profit or (loss) from discontinued operations	0
Other comprehensive income for the year	0
Total comprehensive income for the year	(651)
¹ Included in the above amounts are:	
Depreciation and amortisation	0
Interest income/(expense)	(153)
Gain/(loss) arising on re-estimation of expected life of members loans	(207)
Corporation tax (expense)/income	2
Authority's (& Group's) share of profit/(loss) for the year	(325)
Dividends received by Authority from joint venture	0

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

At 31 March 2024 there were no contingent liabilities or capital commitments related to the Authority's investment in Allerdale Investment Partnership LLP.

Non quantifiable interest in associated undertakings

The Authority is a member of and has significant influence over the following companies:

- Energy Coast West Cumbria Limited
- Energy Coast West Cumbria (Workspace) Limited.

These companies are limited by guarantee and do not have a share capital or other form of unitised capital structure. It is not therefore possible to quantify the Councils ownership interest in these entities.

Under the Memorandum and Articles of Association income and property of each company may only be applied towards promoting the objects of the company. Income and property cannot be paid or transferred directly or indirectly by way of dividends, bonus or otherwise to any member of the Company. The Memorandum and Articles of Association further prohibit residual assets from being paid or distributed among members of the Company in the event of winding up or dissolution and must instead be given or transferred to some other institution(s) having similar objects and which prohibit distribution of their income and property to its or their members

49. Events After the Balance Sheet Date

Authorisation of the statement of accounts

The Statement of Accounts was certified by the Chief Finance Officer (Section 151 Officer), and authorised for issue, on 7 October 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 2024, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

3: NOTES TO THE FINANCIAL STATEMENTS

50. Opening Balance Sheet at 1 April 2023 (vesting day)

The opening balance sheet of Cumberland Council on 1 April 2023 is summarised in the following table:

	Allerdale Borough Council £'000	Carlisle City Council £'000	Copeland Borough Council £'000	Cumbria County Council £'000	Total (s16 agreement) £'000	Inter Authority balances £'000	Alignment of Accounting policies £'000	Other ¹ £'000	Cumberland Council opening balance £'000
Property, Plant & Equipment	66,560	85,089	27,391	756,319	935,359	-	(8,455)	22,651	949,555
Heritage Assets	1,269	24,956	2,128	544	28,897	-	-	(385)	28,512
Investment Property	24,724	95,469	10,819	5,285	136,297	-	10,819	-	147,116
Intangible Assets	81	33	239	0	353	-	-	-	353
Long-term Investments	651	3,229	0	1,592	5,472	-	-	-	5,472
Long-term Debtors	0	6	6	715	727	-	-	-	727
Long-term Payments in Advance	0	113	0		113	-	-	-	113
Long-term (Non-Current) Assets	93,285	208,895	40,583	764,455	1,107,217	-	2,364	22,266	1,131,848
Short-term Investments	0	19	20,156	42,816	62,991	-	-	-	62,991
Assets Held for Sale	0	0	0	0	0	-	-	-	0
Inventories	2,437	104	114	553	3,208	-	(2,364)	-	844
Short-term Debtors	7,893	8,094	12,866	50,222	79,075	(1,366)	-	(126)	77,583
Prepayments	392	911	469	18,591	20,363	-	-	-	20,363
Cash & Cash Equivalents	22,653	3,166	976	12,547	39,342	-	-	-	39,342
Cash & Cash Equivalents (Debtor)	-	-	-	32,674	32,674	-	-	-	32,674
Current Assets	33,375	12,294	34,581	157,403	237,653	(1,366)	(2,364)	(126)	233,797
Bank Overdraft	0	0	0	0	0	-	-	-	0
Short-term Borrowing	(990)	(506)	(61)	(8,402)	(9,959)	-	-	(11)	(9,970)
Short-term Creditors	(8,653)	(9,311)	(8,587)	(63,489)	(90,040)	575	-	126	(89,339)
Contract and Other liabilities	(15,672)	(23,291)	(11,022)	(40,711)	(90,696)	-	-	-	(9,0696)
Provisions	(1,002)	(674)	(636)	(3,348)	(5,660)	-	-	-	(5,660)
Current Liabilities	(26,317)	(33,782)	(20,306)	(115,950)	(196,355)	575	0	115	(195,665)

¹ Other adjustments include recognition in PPE of service concession assets located in Barrow in Furness of £19.468m and associated adjustments to the Revaluation Reserve (£3.437m) and Capital Adjustment balances (£16.031m), the removal of heritage assets transferred to the Charter Trustees of the City of Carlisle on vesting day and corrections to balances reported by sovereign councils at 31 March 2023. ² Amounts receivable from Westmorland & Furness Council.

3: NOTES TO THE FINANCIAL STATEMENTS

	Allerdale Borough Council £'000	Carlisle City Council £'000	Copeland Borough Council £'000	Cumbria County Council £'000	Total (s16 agreement) £'000	Inter Authority balances £'000	Alignment of accounting policies £'000	Other ¹ £'000	Cumberland Council opening balance £'000
Long-term Creditors	0	0	(259)	(93,384)	(93,643)	-	-	-	(93,643)
Other long-term liabilities	0	(1,592)	0	(19,286)	(19,878)	791	-	-	(19,087)
Provisions	(105)	(458)	0	(2,944)	(3,507)	-	-	-	(3,507)
Long-term Borrowing	(14,460)	(11,863)	(5,000)	(222,145)	(253,468)	-	-	(176)	(253,644)
Defined Benefit Pension Scheme	(1,155)	(1,727)	(681)	(19,351)	(22,914)	-	-	(150)	(23,064)
Long-term Liabilities	(15,720)	(15,640)	(5,940)	(3356,110)	(393,410)	791	0	(326)	(392,945)
Net Assets	84,623	171,767	48,918	449,798	755,103	0	0	(18,746)	77,7035
Usable Reserves:									
Unearmarked General Fund (GF) Reserve	(3,992)	(4,337)	(2,192)	(15,630)	(26,151)	-	-	-	(26,151)
Earmarked GF Balances	(4,310)	(5,992)	(14,959)	(65,728)	(90,989)	-	-	-	(90,989)
Capital Receipts Reserve	(798)	0	(2,437)	(9,590)	(12,825)	-	-	-	(12,825)
Capital Grants Unapplied	(1,574)	(113)	(2,602)	(605)	(4,894)	-	-	-	(4,894)
Total Usable Reserves	(10,674)	(10,442)	(22,190)	(91,553)	(134,859)	0	0	0	(134,859)
Unusable Reserves:									
Revaluation Reserve	(26,159)	(42,337)	(10,830)	(91,892)	(171,218)	-	-	(3,496)	(174,714)
Capital Adjustment Account	(49,030)	(121,905)	(21,288)	(306,890)	(499,113)	-	-	(18,770)	(517,883)
Deferred Capital Receipts Res.	(638)	0	(146)	0	(784)	-	-	-	(784)
Pensions Reserve	1,155	1,727	681	19,351	22,914	-	-	150	23,064
Collection Fund Adjustment Acc.	532	1,389	4,566	1,911	8,398	-	-	-	8,398
Financial Instruments Adj. Acc.	39	0	0	145	184	-	-	187	371
Accumulated Absences Account	152	193	289	6,840	7,474	-	-	-	7,474
Dedicated Schools Grant Adj. Acc.	0	0	0	12,290	12,290	-	-	-	12,290
Pooled Investment Funds Adj. Acc.	0	(392)	0	0	(392)	-	-	-	(392)
Total Unusable Reserves	(73,949)	(161,325)	(26,728)	(358,245)	(620,247)	0	0	(21,929)	(642,176)
Total Reserves	(84,623)	(171,767)	(48,918)	(449,798)	(755,106)	0	0	(21,929)	(777,035)

Collection Fund

Income and Expenditure Account 2023/24

	2023/24		
	Business Rates £'000	Council Tax £'000	Total £'000
INCOME			
Council Tax Receivable	-	(193,887)	(193,887)
Business Rates Receivable	(101,136)	-	(101,136)
Contribution towards previous year's estimated deficit	(13,614)	(1,134)	(14,748)
Transitional Protection Payments	(3,738)	-	(3,738)
	118,488	(195,021)	(313,509)
EXPENDITURE			
Precepts (note 4)			
Cumberland Council	-	157,837	157,837
Police & Crime Commissioner for Cumbria	-	26,242	26,242
Cumbria Commissioner Fire & Rescue Authority	-	7,997	7,997
Business Rates (note 5)			
Payments to:			
Central Government	53,017	-	53,017
Cumberland Council	51,956	-	51,956
Cumbria Commissioner Fire & Rescue Authority	1,060	-	1,060
Transitional Protection Payments	0	-	0
Cost of Collection	470	-	470
Interest	73	-	73
Disregarded Amounts	1,590	-	1,590
Contribution towards previous year's estimated surplus	0	0	0
Bad and Doubtful Debts			
Write-off of uncollectable amounts	(16)	604	588
Movement in impairment allowance	1,128	1,496	2,624
Movement in provision for NNDR appeals	762	-	762
	110,040	194,176	304,216
Movement on Collection Fund			
Surplus/(Deficit) for year	(8,448)	(845)	(9,293)
Surplus/(Deficit) at 1 April	16,001	1,732	17,733
Surplus/(Deficit) at 31 March	7,553	887	8,440
Allocation of Surplus/(Deficit):			
Central Government	3,777	-	3,777
Cumberland Council	3,725	752	4,477
Cumbria Commissioner Fire & Rescue Authority	0	100	100
Police & Crime Commissioner for Cumbria	51	35	86
	7,553	887	8,440

Notes to Collection Fund Account

1. General

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

- the collection of council tax and non-domestic rates from taxpayers, and
- the distribution of the amounts collected to local authorities (Cumberland Council) and major preceptors - the Police and Crime Commissioner for Cumbria (council tax) and Cumbria Commissioner Fire & Rescue Authority (non-domestic rates and council tax).and Central Government (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 Cumberland Council, the Police & Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base for 2023-24 of 88,328.60 represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, having taken account of the estimated collection rate for the year of 98.5%.

The basic amount of Council Tax for a Band D property for 2023-24 of £2,118.47 is multiplied by the proportion specified for the particular band to give an individual amount due.

4: COLLECTION FUND

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

	Proportion of Band D	2023/24	
		Basic amount of Council Tax ¹ £'000	Band D equivalent number of chargeable dwellings
Band A	6/9	1,412.31	28,836.07
Band B	7/9	1,647.70	16,349.54
Band C	8/9	1,883.08	15,723.41
Band D	9/9	2,118.47	13,964.83
Band E	11/9	2,589.24	9,325.50
Band F	13/9	3,060.01	3,874.98
Band G	15/9	3,530.78	1,502.41
Band H	18/9	4,236.94	97.00
Equivalent Chargeable Dwellings			89,673.74
Tax Base: 98.5 % of chargeable dwellings			88,328.60

¹ excluding parish element

The Council Tax income for 2023-24 of £193,887, comprises:

	2023/24 £'000
Billed to Council Tax payers	(244,295)
Council Tax Benefit overpayments ¹	(10)
Total receivable from taxpayers	(244,305)
Discounts & exemptions	50,975
Hardship Discount	(193,330)
Care Leavers (transfer from General Fund)	(492)
Council Tax Benefit overpayments ¹	(75)
	10
	(193,887)

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

3. National Non-Domestic Rates

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

For 2023-24, the total non-domestic rateable value at the year-end was £286.30m. The national multipliers for 2023-24 were 49.9p for qualifying Small Businesses, and 51.2p for all other businesses.

4: COLLECTION FUND

Under the business rates retention scheme which has operated since 2013-14, 49% of the business rates income received is retained by the Authority. The remainder is paid to Central Government (50%) and Cumbria Commissioner Fire & Rescue Authority (1%).

4. Council Tax - Precepts and Demands

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

2023/24	Precept £'000	Surplus/ (deficit) ¹ £'000	Total £'000
Cumberland Council	157,837	(930)	156,907
Police and Crime Commissioner for Cumbria	26,242	(156)	26,086
Cumbria Commissioner Fire & Rescue Authority	7,997	(48)	7,949

¹ distribution based on estimated 2022-23 surplus/deficit at 15 January 2023

5. Non-Domestic Rates – Payments

2023/24	NNDR income ¹ £'000	Surplus/ (deficit) ² £'000	Total £'000
Cumberland Council (transfer to/from General fund) ¹	51,956	(6,807)	45,149
Cumbria Commissioner Fire & Rescue Authority	1,060	0	1,060
Central Government	53,017	(6,807)	46,210

¹ excluding transfers and payments relating to cost of collection allowance and disregarded income

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

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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where circumstances indicate that debts may not be settled, the balance of debtors is written down and a charge made to revenue within the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement, for the income that might not be collected.
- where payments received from service recipients exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the balance sheet under contract and other liabilities.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments, with maturities of three months or less (from the date of acquisition), that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

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

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

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

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

4. Charges to Revenue for Non-Current Assets

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

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

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

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

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

5. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and Non-Domestic Rates

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

between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

6. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of either:

- (i) the Authority's decision to terminate an employee's employment before the normal retirement date, or
- (ii) an employee's decision to accept an offer of benefits in exchange for the termination of employment (for example an officer's decision to accept voluntary redundancy).

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

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

Post-Employment Benefits

Employees of the Council are members of one of three separate pension schemes

- Local Government Pension Scheme administered by Westmorland and Furness Council
- The Teachers' Pension Scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA) on behalf of the Department of Health and Social Care (DHSC)

All three schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Authority. Both teachers' and NHS schemes are therefore accounted for as if they were a defined contribution scheme. No liabilities for future payments of benefits are recognised in the Balance Sheet. The Children's and Family Wellbeing and Public Health and Communities directorate lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to Teachers' Pensions and NHS pension schemes respectively in the year.

Discretionary Benefits – Teachers Pensions

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis using the same accounting policies as are applied to the Local Government Pension Scheme (see below).

Local Government Pension Scheme

The Cumbria Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the Cumbria Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on demographic assumptions such as mortality rates and employee turnover rates and financial assumptions such as projections of future earnings for current employees. Actuarial valuations are carried out at the end of each annual reporting period.

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

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

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

5: ACCOUNTING POLICIES

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

- current service cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period
- past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan)
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. Except in circumstances in which the net defined benefit liability (asset) is remeasured following a plan amendment, curtailment or settlement, the net interest expense is calculated by multiplying the net defined benefit liability (asset) at the beginning of the reporting period, by the discount rate used to measure the defined benefit obligation determined at the start of the reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Where the net defined benefit liability (asset) is remeasured during a reporting period, following a plan amendment, curtailment or settlement, net interest for the remainder of the annual reporting period is determined on the basis of the remeasured net defined benefit liability (asset) and the discount rate used to remeasure that net defined benefit liability (asset). Interest cost on the current service cost is included in the current service cost component.
- remeasurements comprising:
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, and
 - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)
 - the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

The net interest expense (or income) is included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Employers contributions paid to the Cumbria Local Government Pensions Scheme in settlement of liabilities are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the reporting period, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that transfers to and from the Pensions Reserve are required to remove the amounts charged or credited to the Surplus or Deficit on the Provision of Services under the Code and replace them with a charge equal to the cash paid to the pension fund and pensioners during the year and any such amounts payable but unpaid at the year-end.

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

Discretionary Benefits - LGPS

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (the balance sheet date) and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- (i) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); the Statement of Accounts is adjusted to reflect such events
- (ii) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period); the Statement of Accounts is not adjusted to reflect such events, but where a non-adjusting event is material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

8. Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument.

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

5: ACCOUNTING POLICIES

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

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

Classification and subsequent measurement of financial assets

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

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

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

Reclassification of financial assets

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

Financial assets measured at amortised cost

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

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

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

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

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

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

Modification of the terms of a financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash discounted at the financial asset's original effective interest rate. A modification gain or loss is recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial assets measured at fair value through other comprehensive income (FVOCI) - debt instruments

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, and impairment gains and losses (determined in the same manner as for financial assets measured at amortised cost) are recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Other gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from reserves to Surplus or Deficit on the Provision of Services.

Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments

On initial recognition an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument, (that is not held for trading and is not contingent consideration of an acquirer in a business combination), in Other Comprehensive Income. The election is made on an instrument by instrument basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established, unless the dividend clearly represents a recovery of part of the cost of the investment. Other fair value gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is not reclassified from reserves to Surplus or Deficit on the Provision of Services.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Authority has not elected to classify irrevocably, its non-listed equity investments under this category.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured as FVTPL. Financial assets at fair value through profit or loss include:

- investments in equity instruments, unless designated as at FVOCI
- financial assets held within a business model other than 'hold to collect' or 'hold to collect and sell'
- financial assets whose contractual cash flows that are not solely payments of principal and interest, irrespective of the business model.

Financial assets at fair value through profit or loss are subsequently measured at fair value with net gains or losses, including any interest or dividend income, recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES).

This category includes equity investments which the Authority has not irrevocably elected to classify at fair value through other comprehensive income, money market funds and debt instruments that do not meet the SPPI criterion.

Dividends on equity investments are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established.

Movements in the fair value of equity investments that meet the definition of capital expenditure under statute are not proper charges to the General Fund. Any gains or losses in fair value included in the Comprehensive Income and Expenditure Statement in respect of these investments are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment of financial assets (expected credit loss model)

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

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

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

5: ACCOUNTING POLICIES

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

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

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

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

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Authority is exposed to credit risk.

For debt instruments considered to have a low credit risk at the reporting date, the Authority measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Authority considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. Financial instruments to which this practical expedient applies includes debt instruments classified as cash and cash equivalents.

For purchased or originated credit-impaired financial assets, only the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Authority considers all reasonable and supportable information (quantitative and qualitative) that is relevant and available without undue cost or effort. This includes historical experience, informed credit assessment and forward-looking information.

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

The Authority considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor
- contractual payments are more than 90 days past due (unless the Authority has reasonable and supportable information that demonstrates otherwise)
- internal or external information indicates the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the

estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 90 days past due
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for expected credit losses in the Balance Sheet

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

Write-off

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

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Expected Credit Losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

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

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

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

5: ACCOUNTING POLICIES

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

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

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

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

Financial Liabilities

Classification and measurement

The Authority's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument

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

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

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

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

- the difference between the carrying amount of the liability before the modification or exchange and the present value of the cash flows after modification (discounted at the original effective interest rate) is recognised in the

Comprehensive Income and Expenditure Statement as a gain or loss on modification

- any costs or fees paid or received adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Where premiums and discounts arising from the early repayment of loans have been charged to the Comprehensive Income and Expenditure Statement (rather than being accounted for as an adjustment to the carrying amount of the financial liability), regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amount charged or credited to the General Fund and the amount charged or credited to the Comprehensive Income and Expenditure Statement is reconciled by a transfer to the Financial Instruments Adjustment Account (FIAA) within the Movement in Reserves Statement.

Financial guarantee contract liabilities

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

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

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

For a financial guarantee contract, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Authority expects to receive from the holder, the debtor or any other party.

Financial guarantees entered into before 1 April 2006

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are instead reflected in the Statement of Accounts only to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grant or contribution will be received.

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

are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied, are carried in the Balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to Capital Adjustment Account. Grants posted to the Capital Grants Unapplied Reserve are subsequently transferred to the Capital Adjustment Account when applied to fund capital expenditure.

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

10. Heritage Assets

Recognition

Tangible heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible Heritage Assets are those assets with cultural, environmental, or historical significance. Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Authority for other activities or to provide other services) are accounted for as operational assets, and valued in the same way as other assets of that type (for example property, plant and equipment)

The Authority's heritage assets include:

- historical sites, monuments and statues
- nature reserves
- civic regalia
- paintings and fine art (not forming part of museum collections)
- archive collection
- museum collections.

Measurement

Heritage assets are recognised on the Authority's Balance Sheet where it has information on cost or value. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised.

5: ACCOUNTING POLICIES

Acquisitions of heritage assets are initially recognised at cost or if bequeathed or donated, at fair value as at the date of acquisition.

Subsequent to initial recognition, heritage assets are measured at valuation using a method of valuation that is relevant and appropriate (for example insurance valuations). Where it is not practicable to obtain a valuation (at a cost which is commensurate with the benefits to users of the financial statements), and cost information is available, the assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Heritage assets recognised on the Authority's Balance Sheet are measured using the following bases:

- historical sites, monuments and statues, nature reserves - historical cost (less any accumulated depreciation, amortisation and impairment losses)
- civic regalia - insurance values based on current replacement cost
- collections - insurance values based on open market replacement cost for items of a comparable nature, age and condition
- intangible heritage assets - historical cost (less any accumulated depreciation, amortisation and impairment losses).

Information on cost or value is not available for historical sites, monuments and nature reserves. Accordingly, except for expenditure incurred on the acquisition, creation or enhancement of these assets on or after 1 April 2010, these assets are not reported as assets in the balance sheet.

Revaluation Gains and Losses

Where heritage assets are measured at valuation, there is no prescribed minimum period between valuations. The carrying amount is however reviewed with sufficient frequency to ensure that valuations remain current.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services.

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

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

Preservation Costs

Expenditure which, in the Authority's view, is required to preserve or clearly prevent further deterioration of individual collection items, is recognised in the Surplus or Deficit on the Provision of Services when it is incurred.

Depreciation and Amortisation

The majority of the Authority's tangible heritage assets have indefinite lives and therefore the Authority does not consider it appropriate to charge depreciation. Where a useful life can be identified, straight line depreciation is applied.

Amortisation is provided for in relation to the Authority's intangible heritage assets by allocating the value of the asset in the balance sheet to the period expected to benefit from its use.

Impairment

The values of heritage assets are reviewed at the end of each financial year for evidence of impairment; for example, where an item has suffered physical deterioration or breakage or where doubt arises over its authenticity. Impairment losses are accounted for in accordance with the recognition and measurement requirements set out in sections 17- Property, Plant and Equipment and 11- Intangible Assets.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow to the Authority.

Internally generated assets are recognised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment where there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not proper charges to the General Fund. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

12. Interests in Companies and Other Entities

In the Authority's single-entity accounts, interests in companies and other entities that meet the definition of a subsidiary, associate or jointly controlled entity, and are not classified as held for sale, are recorded at cost, less any provision for losses.

13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14. Investment Property

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

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

Investment properties are not depreciated but are revalued annually according to market conditions at the balance sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Under statutory accounting arrangements, gains or losses resulting from the revaluation or disposal of investment property are not proper charges to the General Fund. Such amounts are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

15. Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment, are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(i) The Authority as lessee

Finance Leases

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- the amount applied to write down the lease liability, and
- the finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset. Charges are made on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Authority.

(ii) The Authority as lessor

Finance Leases

Where the Authority grants a finance lease over a property, or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the

5: ACCOUNTING POLICIES

commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line (PPE or Assets Held for Sale) or Financing and Investment Income and Expenditure line (Investment Property) in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a receivable (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- repayment of principal - applied to write down the lease debtor (together with any premiums received), and
- finance income - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Finance income is calculated so as to produce a constant periodic rate of return on the net investment.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line (Property, Plant & Equipment) or Financing and Investment Income line (Investment Property) in the Comprehensive Income and Expenditure Statement.

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

17. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

18. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost

5: ACCOUNTING POLICIES

- surplus assets - current value measured using fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

Impairment

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

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

Where an impairment loss, previously recognised in Surplus or Deficit on the Provision of Services, is subsequently reversed, the reversal is credited to the relevant service

5: ACCOUNTING POLICIES

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	Remaining Useful life
Operational Buildings & Surplus Properties	straight-line	2-60 years
Infrastructure Assets	straight-line	1-80 years
Operational Vehicles & plant	straight-line	1-50 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, each component is depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charged to Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

19. Disposals of PPE and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (PPE) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification (except where the asset is normally measured at depreciated historical cost) and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for

sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset (or component of an asset) is disposed of or decommissioned, the carrying amount of the asset (or component of an asset) in the Balance Sheet (whether PPE or Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where it is not practicable to determine the carrying amount of a replaced or restored component of an asset, the Authority uses the cost of the replacement component to estimate the cost of the replaced component at the time it was acquired or constructed (adjusted for depreciation and impairment if required). Receipts from disposals (if any) are credited to the same line as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Capital receipts arising from disposals are therefore appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

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

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the conditions for recognition are met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income if it is virtually certain that reimbursements will be received if the Authority settles the obligation.

Contingent Liabilities

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

- it is not probable that an outflow of economic benefits or service potential resources will be required, or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence of one or more uncertain future events, not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Reserves

The Authority sets aside specific amounts as earmarked reserves to meet future spending commitments or to cover contingencies. Earmarked Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made from the earmarked reserve to the Un-earmarked General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and employee benefits. These reserves do not represent usable resources for the Authority.

22. Revenue Expenditure Funded from Capital under Statute

Expenditure required to be treated as capital expenditure under statutory provisions, but which does not result in the creation of non-current assets, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Authority has determined to meet the cost of this expenditure from capital resources or by borrowing, the amount charged to services is reversed out by way of a transfer from the General Fund balance to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

23. Service Concession Arrangements (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to

5: ACCOUNTING POLICIES

- control the services that are provided under its PFI schemes, and
- as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts.

The Authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) 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 Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (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 posted to the balance sheet as a prepayment by setting aside a proportion of the unitary payment each year for the costs that are planned eventually to be incurred 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.

24. Schools

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

Maintained schools include Community schools, Voluntary aided, voluntary controlled and Foundation schools, Maintained nurseries and community and foundation special schools. Other types of schools, such as academies and free schools are outside of the Council's control and therefore not included in the Authority's Statement of Accounts.

Accounting for Schools - Transfers to Academy status

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

When a maintained school converts to an Academy, the school's non-current assets held on the Authority's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

25. VAT

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

26. Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

The fair value measurement of financial liabilities assumes that a financial or non-financial liability is transferred to a market participant at the measurement date. The transfer assumes that the liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

The Authority uses valuation techniques to measure fair value that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities where fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the lowest level input to valuation techniques that is significant to the fair value measurement as a whole:

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

For the purpose of fair value disclosures, the Authority has determined appropriate classes of assets and liabilities on the basis of (a) the nature, characteristics and risks of the asset or liability; and (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

27. Local Government Reorganisation and Other Combinations

Public sector bodies such as local authorities are deemed to be under common control. The combination of two or more local authorities (or other public sector bodies) into one new authority, or the transfer of functions (in full or in relation to a geographic area) from the responsibility of one authority (or other public sector body) to another, is accounted for as a transfer by absorption.

The carrying value of the assets, liabilities and reserves of the combining bodies or functions are transferred and included in the financial statements of the transferee at their carrying amounts at the date of transfer except where:

- the authorities (or other public sector bodies) have agreed revised amounts (in accordance with their statutory duties), and
- such amounts were agreed after authorities (or other public sector bodies) transferring the services had issued their accounts for the year immediately prior to the transfer date

in which case, assets and liabilities are transferred at their agreed amounts.

Reorganisation is reflected in the financial statements by adjusting the opening Balance Sheet for the current year. Transfers are not reflected in the surplus or deficit on the provision of services but are separately disclosed in the Movement in Reserves Statement and other comprehensive income and expenditure. For new authorities, where transfers take place at the beginning of the financial year, under transfer by absorption no corresponding amounts for the previous are required.

Annual Governance Statement

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted both in accordance with the law and in accordance with proper, accountable standards. The Council must seek to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Each legacy authority had a Code of Corporate Governance, consistent with the principles of the CIPFA/Solace 2016 Framework 'Delivering Good Governance in Local Government' based on the Good Governance Principles, which were adopted by Cumberland Council. In February 2025 the Council approved and adopted a harmonised local Code of Corporate Governance ("the Code"). The Council also recognises the requirements of the 2016 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 Annual Governance Statement ("AGS") is a public report which explains how the Council has complied with the Code, application note and statement. It sets out how the Council has monitored the effectiveness of its governance arrangements in the year, and any planned changes in the coming period. The statement also identifies any weaknesses and areas of improvement, which are addressed in the action plan included at Appendix A.

The AGS meets 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.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

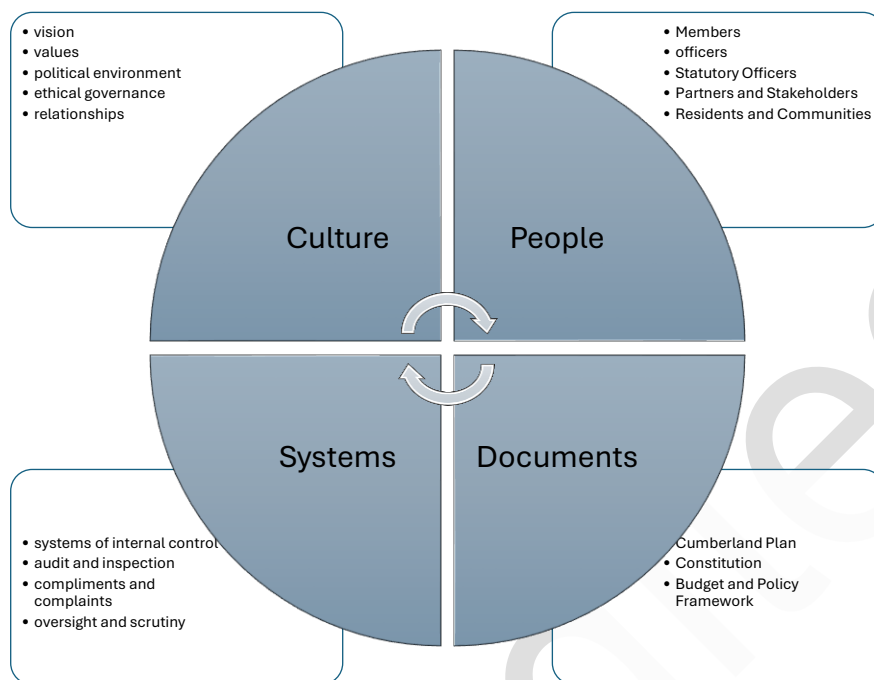
- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and, if so realised, their impact; and
- manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts for 2023/24.

The Governance Framework

The Council's governance arrangements are a combination of the culture, people, documents and systems with together direct and control the council's activities.

The following are the key elements that comprise the Council's governance arrangements:



Culture

Vision

The Council's vision is proposed by the Executive as part of the Cumberland Plan which is debated and agreed by full Council. This vision is then communicated through the Cumberland Plan itself, which is a guiding document for staff and members. An end of year performance report presents the outcomes and performance of the Cumberland Plan to the Executive and Overview & Scrutiny Committees and to residents. The Cumberland Plan was adopted by Council on 18 October 2022.

The Council's vision is to take a fresh approach to the delivery of inclusive services that are shaped by our residents and communities. By enabling positive outcomes for health and wellbeing, prosperity and the environment, we will fulfil the potential of our people.

To achieve our vision, the Council will prioritise addressing inequalities, local economies that work for local people, environmental resilience and the climate emergency and delivering excellent public services.

Our work in these areas is underpinned by consistency in service delivery and ensuring we provide accessible and trusted services that listen, involve and engage; are driving change, learning and improving; demonstrate leadership whilst working collaboratively; think local first and sustainably; and focus on prevention and early intervention.

Health and wellbeing is at the centre of everything we do. Health and wellbeing is affected by a number of factors, but there are four key areas which we believe can make the biggest impact to improve the health and wellbeing of our residents:

1. The local economy can have a significant impact on the health and wellbeing of individuals. We want to enable the move to an economy that builds wealth locally and offers opportunities for everyone and people have the skills to take them. We want to achieve greater social value in public sector procurements, exploring more ways of retaining wealth within our community. We will seek to utilise our assets as a catalyst for economic activity, generating opportunities for residents, businesses, social enterprises and the community and voluntary sector alike.
2. The environment in which our people live has a huge impact on health and wellbeing. The climate and environmental emergency demands our attention, our leadership and our action. The repercussions of inaction will be significant for our local economy and our services. We want to support the growth of a low carbon economy by working with others to identify opportunities, help businesses and residents manage resources better and ensure appropriate training opportunities are in place. We want to help the most vulnerable with issues such as fuel poverty and the impacts of extreme weather.
3. We want Cumberland to be a high performing council. Our services have a direct and indirect impact on our residents' health and wellbeing. We want our residents to benefit from excellent, efficient and enterprising public services. We will deliver what they need, when they need it with a focus on collaboration, dialogue and delivering strategic impact at a local level.
4. We are committed to addressing systemic inequalities such as racism and making Cumberland a fairer place. We will take a proactive approach to delivering the public sector equality duty. We want our residents to access opportunities that will empower them to achieve their goals. Inequality continues to hold people back from reaching their true potential and we will work with residents and partners to challenge entrenched issues in areas such as health, education, life expectancy and deprivation. We have a key focus on food security and the food system. We believe that each resident has a "Right to Food". This means that food should be adequate, available and accessible.

The Cumberland Plan not only contains the Council's vision but also the key objectives to be delivered in support of it as well as the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny Committees are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council. All formal reports include an assessment of the contribution made by that particular matter to council priorities.

The Council's Performance Management framework, including some Service Standards, ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels such as the Customer Contact Centres, online surveys and social media. Directors have performance objectives which are agreed with the Chief Executive and monitored by Members. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impacts of key decisions are recorded in each of the Executive papers ensuring that appropriate assessments form part of all the Council's key and non-key decisions.

Performance in services provided to customers is monitored through management information indicators, highlighting short and medium-term trends which are reported through Performance Clinics with Directors, the Chief Executive, Leader and relevant portfolio

holders. Progress against Council Plan priorities, key actions and key performance measures is reviewed quarterly and reported through the Executive and Business and Resources Overview & Scrutiny Committees.

The Council does face issues with data availability and data quality following LGR and is working through amalgamation of multiple data sets to achieve consistency and accuracy. Capacity issues in the Council's Performance and Insight team have hampered progress in developing more sophisticated performance management reporting and processes but capacity issues have been recognised by the Council and are being addressed with additional resource agreed for 2025/26.

Values

The Council's culture is framed by our five values:

- We are Ambitious
- We are Collaborative
- We are Compassionate
- We are Empowering
- We are Innovative

As a new council, we are in the process of embedding our values through defined and evidenced behaviours, within the council, with our partners and stakeholders and with our residents and communities.

Political Environment

The Council comprises 46 elected Members. The Council operates executive arrangements under the Local Government Act 2000 and has done so since its establishment in April 2023. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates their Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2023/24 the Executive comprises the Leader and nine Executive Members, one of whom the Leader is required to nominate as Deputy Leader and one of whom the Leader has elected to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a six-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held by the Monitoring Officer and published on the Council's website. All Members of the Council receive a copy. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Committees, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has four Overview and Scrutiny Committees: Business and Resources, Health, People and Place. These Committees undertake the statutory scrutiny role set out in the 2000 Act and act as a critical friend in examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The Committees are supported by a dedicated Scrutiny Officer team which services the scrutiny function of the Council.

6: ANNUAL GOVERNANCE STATEMENT

Each Committee also has a nominated member of the Council's Senior Leadership Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserves only eight policies to full Council (meaning only Council can change or amend those policy areas) and this means that decisions are able to be taken in a clear, transparent manner and from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with town and country planning, licensing, harbour management and employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually. The frequency and nature of Committee reporting to Full Council is to be determined.

As a means of ensuring best practice, the Council has established an Audit and Risk Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit and Risk Committee comprises 7 elected Members. Following a recruitment exercise an Independent Member was in place during 2024/25 (prior to resignation). The Council has elected to recruit an Independent Chair and additional Independent Member from 2025/26. The need for an Independent Chair was recognised in the external assurance review into financial sustainability.

The Audit and Risk Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". It is supported by the Council's Standards and Governance Committee, established to be responsible for conduct issues relating to elected Members. The Committee held its first Effectiveness Review in July 2024 following the end of the 2023/24 municipal year. The review was undertaken against best practice identified in the CIPFA position statement on Audit Committees and resulted in key actions to be addressed.

The Council has a majority of Labour Group members (28) with opposition groups comprising Conservative (8), Liberal Democrat (4), Green (2), the Independent Group (3) and one independent non-aligned member. Key Committees such as Overview and Scrutiny, Audit and Risk and Standards and Governance must have either a chair or vice-chair from one of the opposition groups.

Ethical Governance

Council officers and external providers deliver a training schedule for both Members and officers to raise awareness of ethical governance issues across the Council such as, for example Procurement and Budgetary Control. This forms part of the Council's Managers Development Programme and Member Development Programme.

A mixture of face to face, online and e-learning packages are offered and this continues to be developed.

Relationships

The Council has agreed a Member: Officer Protocol to guide members and officers in their relations with one another, to define their respective roles and to provide guidance for dealing with particular issues that may most commonly arise or cause concern.

People

Members and Officers

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Leadership Team, comprising the Chief Executive, Monitoring Officer, s151 Officer, Assistant Chief Executive and six Directors. The Team meets on a weekly basis to discuss corporate issues.

The Council has a formal appraisal scheme, which is mandatory for all officers, including all senior managers, which has been developed to focus on values and training needs. It is carried out each year. Appraisals are recorded and there is monitoring of compliance by SLT along with an annual report to Members of the People Overview and Scrutiny Committee which includes the key findings of the biennial Employee Opinion Survey. The Council also formed a Change Champion working group to engage in dialogue, share innovations and collaborate on service and process improvements during the year. The appraisal process has been developed to include reflection on the values and behaviours of the Council and recruitment policies are in place that support the achievement of the Council's values.

The Council has faced a number of challenges in relation to capacity. A Workforce Development Plan is in the process of being developed as part of the Future Cumberland work and Service Plans include workforce planning and needs (see improvement plan). Mentoring and coaching programmes are in place to promote development of all Members and Officers. There are also challenges inherited from LGR, with the need to ensure harmonised structures, terms and conditions and pay scales are in place for Council Officers.

The manager's development framework was rolled out in 2023/24 with a range of modules to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture and values of the Council as well as the expected behaviour of all employees.

The Workforce Health and Wellbeing Strategy and delivery plan will demonstrate the Council's commitment to workplace wellbeing ensuring that staff have the best work environment and experience at work. A key focus of the strategy is supporting mental health and musculoskeletal issues, which are the top two reasons for sickness absence in the council. There is also supportive training for managers on how to make reasonable adjustments to enable staff to effectively perform in their roles. Employees have access to an Occupational health service which offers a self-referral scheme for counselling as well as Able Futures which provides a wide range of mental health support services. Employee networks have been established to cover men's and women's wellbeing needs including a Menopause group. A network of health advocates and mental health first aiders support wellbeing needs within teams and promote planned health campaigns which contribute to achieving the Bronze Better Health at Work Award. A wellbeing resource portal has been developed to provide valuable links and information to support emotional, mental, physical and financial wellbeing.

The Workforce Equality, Diversity and Inclusion strategy and delivery plan sets out our commitment and objectives for the next 2 years and was co-produced with Employee Network groups. Initial developments from this strategy have included employee network groups reviewing recruitment policies and changes to processes to ensure a more inclusive environment. The Council has a calendar of events throughout the year to raise awareness, celebrate diversity and promote inclusion. Inclusive leadership is an essential course for all managers as part of our leadership and management programme in addition to further training for all staff. The Councils Adults and Children's teams have received additional cultural awareness training to support the employment of our international social workers and care workers. The employee network groups are key members on people and culture

development groups shaping our future Cumberland. An Equality, Diversity and inclusion resource is available to share details of support offered by network groups and HROD. The Council is currently exploring the feasibility of a new system to support easier reporting and data analysis. To ensure this work is externally assessed the Council is collaborating with North West Employers to work towards achieving the EDI Charter.

A disciplinary policy is in place, overseen by dedicated Human Resource officers to ensure adherence to codes of conduct and other relevant policies in a fair and consistent manner.

The Council has in place a Member Training Programme which is aimed at providing elected members with the necessary skills and knowledge to carry out their roles. The Programme includes both mandatory training for quasi-judicial and decision-making committees and a range of informative sessions such as neuro diversity awareness. Officers work with Members to identify individual development needs so that arrangements can be made to address these.

Statutory Officers

The Head of Paid Service, Monitoring Officer and s151 Officer are senior, critical and influential roles and, collectively, are responsible for ensuring good governance in the Council.

The Council follows the seven key principles contained in the SOLACE/ CIPFA/ LLG document 'Code of Practice on Good Governance for Local Authority Statutory Officers', namely:

1. Understand Governance;
2. Act Wisely;
3. Lead Ethically;
4. Act Effectively;
5. Resource the Roles;
6. Build Resilience; and
7. Deliver sound decision making.

The three Statutory Officers understand their own and each other's statutory roles and what is required to adequately perform them. Roles are clearly articulated within the Constitution and the officers each have the right to attend meetings, access documents, give advice in writing and in person and to produce reports. All decision-making reports include legal and financial implications provided by the Monitoring Officer and s151 Officer or their deputies. The three officers meet regularly as statutory officers as part of the 'golden triangle' best practice. In addition, regular meetings are held between statutory officers, their deputies and internal audit to consider financial, legal, constitutional and ethical issues. All three statutory officers are part of the Senior Leadership Team and meet weekly with Chief Officer colleagues.

Chief Finance Officer

The Chief Finance Officer is the Council's 'Section 151 Officer'. The Section 151 Officer is responsible for the proper administration of the authority's financial affairs. They are responsible for managing the budget and must report to the authority on the robustness of the estimates for expenditure and income within the budget, and the adequacy of the proposed financial reserves. They have a duty to act in respect of unlawful expenditure or when it appears to them that the authority's expenditure incurred in a financial year is likely to exceed the resources available to meet it.

6: ANNUAL GOVERNANCE STATEMENT

The Council has a duty to comply with the five key principles contained within the revised CIPFA statement of the 'Role of the Chief Financial Officer in Local Government'. These are:

- The CFO in a public service organisation:
 - 1: is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
 - 2: must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy;
 - 3: must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- To deliver these responsibilities the CFO:
 - 4: must lead and direct a finance function that is resourced to be fit for purpose; and
 - 5: must be professionally qualified and suitably experienced.

The Council's Chief Finance Officer is a qualified accountant and is a key member of both Senior Leadership Team (SLT) and Joint Leadership Team (JLT) and has direct access to the Chief Executive.

All executive decisions are subject to a full impact assessment from a financial perspective, by either the Chief Finance Officer or their delegate. In addition, full option appraisals are included for all business cases for specific projects.

The main controls for financial management are the Budget and Policy Framework and the Financial Procedure Rules, which are found in the Constitution. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JLT which consists of the Executive Members and SLT. CIPFA introduced a Financial Management Code (FM Code) in 2019 which is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes. The Council is undertaking work to ensure compliance with the code and with findings to be presented to the Audit Committee (See improvement plan).

The Council is in the process of adopting a Procurement Policy and will then develop a Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities. Since LGR the Council has operated legacy strategies, although procedures have been updated.

Value for Money benchmarking exercises will be undertaken across service areas as required, though no specific exercises were performed during 2023/24 due to resource issues and lack of data following LGR. The Council continued to procure services following appropriate, established processes designed to ensure value-for-money is achieved.

Budget managers monitor budgets via E5 Budget Manager and have access to Finance Business Partners. Budget monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and Scrutiny. The Council is committed to

improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring (see improvement plan).

For 2023/24 the Statement of Accounts was not produced within the statutory deadline and this is recognised and addressed in the Improvement Plan. This has been the subject of a statutory recommendation by the Council's External Auditor.

The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to Executive and Scrutiny Committee. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

The Chief Finance Officer leads and directs the finance function who support the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan. The finance function has a number of vacancies and, following LGR, remains supported by numerous legacy IT systems. Recruitment has been undertaken, increasing the total number of officers in the team but with some vacancies remaining. The lack of finance capacity has been the subject of a statutory recommendation by the Council's External Auditor and is a recognised issue, being addressed in the Action Plan.

Monitoring Officer

The 'Monitoring Officer' is responsible for ensuring lawfulness and fairness in the operation of the local authority's decision-making process. They are responsible for the maintenance and interpretation of the authority's constitution, have a key role in promoting and maintaining high standards of conduct and should (according to the statutory Guidance) also be the 'proper officer' for the purposes of publication of decisions and access to information. The Monitoring Officer maintains a register of members' interests and makes determinations on member's sensitive interests. They have a duty to act when it appears to them that any proposal, decision, or omission by the authority has given rise to or is likely to or would give rise to a contravention of any enactment or rule of law or amounts to maladministration.

The Chief Legal Officer is the Council's Monitoring Officer with three named lawyers personally appointed to act as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council has adopted the LLG Monitoring Officer Protocol as part of its Constitution. The Monitoring Officer is 'responsible for supporting and advising the Council in relation to the lawfulness and fairness of the decision making of the Council; for the Council's compliance with its legal responsibilities and requirements; and for matters relating to the conduct of Councillors including Parish Councillors'.

In addition to this, the Monitoring Officer has a duty to report any proposal, decision or omission which is considered to be unlawful or which amounts to maladministration and they advise the Standards and Governance Committee and Audit Committee as well as providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council at its annual meeting. In year reviews are carried out as appropriate.

The Monitoring Officer is a member of the Senior Leadership Team and Joint Leadership Team and has regular meetings (in addition to the actual meetings of SLT) with the Chief

Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of their duties. The Monitoring Officer has also established the Council's Corporate Governance Group which is attended by the S151 Officer and Head of Internal Audit and Risk.

The Monitoring Officer leads and directs the Council's legal services team which provides (or engages) all legal advice and representation to the Council's officers and Members. The team deals with all Court and Tribunal work on behalf of the Council. There were no successful Judicial Review cases against the Council in this year.

In addition, the Monitoring Officer is responsible for a number of other council functions including democratic and member services, internal audit, information governance, records management, elections, the coronial service and registration services.

The Monitoring Officer is responsible for all complaints received against elected Members, including those elected to the numerous parish and town councils in the area. In addition to the 46 Cumberland Members, there are 123 Parish and Town Council, each with numerous members. All are subject to the Code of Conduct and complaints fall to be investigated by the Monitoring Officer. In 2023/24, there were 61 complaints received.

The Council is required to provide the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989. As such, three deputy Monitoring Officers have been appointed, the legal team is fully staffed and all undertake training and development as needed.

Head of Paid Service

The 'Head of Paid Service' is the formal designation that forms one of three overlapping elements describing the core role of the chief executive role, being to act as lead advisor to the authority, as managerial leader and in fulfilling the functions of this statutory role. The Head of Paid Service holds the power to formally report to the full authority on their preferred design for the delivery, co-ordination, and integration of the authority's functions. In addition to the responsibilities entrusted to them by the elected members, the Head of Paid Service is statutorily responsible for the numbers, grades, roles, appointment, and discipline of all staff other than chief officers, deputy chief officers and any group's political assistants. They are also chief advisor to the authority and responsible for ensuring the best advice is available to it at all tiers.

The Council's Head of Paid Service is the Chief Executive, whose role is described in the Constitution as being to 'support the councillors and to provide leadership for the Council'. The Head of Paid Service has responsibility 'to make proposals to the Council about the manner in which the discharge of the Council's functions is co-ordinated and the numbers, grades and organisation or staff required and the proper management of those staff'. Contained within the Terms of Reference is the principle of being the Council's principal officer representative and of promoting its good image and reputation.

They are currently supported in their role by an Assistant Chief Executive and six Directors. Each of the Directors are appointed to be Deputy Head of Paid Service in the absence of the Chief Executive. The Chief Executive has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Leadership Team meetings.

Partners and Stakeholders

The Council delivers most of its key services directly, however, there are areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members' expectations. In respect of agreements for hosted services with Westmorland and Furness Council, the robust joint governance arrangements set up on local government reorganisation, including the comprehensive intra-authority legal agreement, continue to ensure that service delivery is effective and meets both authorities' expectations. The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations.

The Council's key governance arrangements and procedures ensure that, before any partnerships are entered into, all factors and implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified, an exit/ succession strategy is in place and the appropriate monitoring arrangements are in place. Whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

- The Council is developing a Partnership Policy to provide guidance on the nature and risks of partnerships. This Policy will include a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships will be clearly defined both in the Policy and in general working practices. Supplementary guidance notes and training and support will be provided to guide officers setting up new partnerships, through to annual reviews.
- The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress.
- A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SLT. Proposed significant partnerships are also reported to the Executive.
- The Council's Financial Procedure Rules contain specific guidance on officers' duties and responsibilities regarding partnerships. The Financial Procedures were introduced when the Council was established in 2023 and are presently undergoing a review, to include a flowchart as an aid for officers to guide them through the partnership process.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Senior Leadership Team. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register which is usually reviewed quarterly by SLT and reported to Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, the results of which form part of the statement of accounts. This reporting is co-ordinated by Financial Services and is considered by SLT and the Business and Resources Scrutiny Panel, upon request.

Residents and Communities

The Council is committed to high quality, open, timely and relevant communication, encouraging feedback from all its communities and stakeholders. All decisions and reports

are publicly available, unless justification is provided to maintain confidentiality and all meetings, unless legally required otherwise, are open to public and press attendance. The Council's public participation scheme enables anyone who lives, works or studies in Cumberland to participate in meetings through asking questions or presenting petitions / deputations.

The Council undertakes regular consultation and engagement activity in a number of different ways including through client and user groups, through formal public consultation and through ongoing community engagement activity. The Council adopted a Community Engagement Framework in 2024 and has begun to develop its co-production approach.

Over twenty formal public consultations were undertaken in 2023/24 including consultations on: children and adults services; town centre regeneration schemes; community projects; gambling and licensing policies; and the Council's budget proposals.

The Council has established eight Community Panels which are formal Area Committees attended by relevant ward councillors. The Panels meet formally on a quarterly basis and, in addition, hold Community Engagement events. In this way, engagement with local communities and groups is facilitated. In addition, the Panels have the ability to co-opt up to three non-voting members, who are members of the public or local groups and can bring a different perspective to decision making.

The Council looks to adhere to the Local Government Transparency Code. Publication of all data on a timely basis was challenging during 2023/24, but the Council is in the process of catching up with publicising all relevant data.

The Council has a Communications Team who work to keep the public informed about Council work, develop the Council's understanding of and responsiveness to the public's priorities, support the council's transformation of services and ways of working, engage staff about the work of the council, and work in partnership with stakeholders to promote Cumberland. The Communications Team also manages communications channels including media, social media, newsletters and printed items.

The Communications Team prioritises accessibility of information, particularly to ensure the communication needs of groups who would otherwise experience barriers in engaging with the Council

Companies

The new Council inherited a number of wholly and partly owned entities:

- Allerdale Waste Services Limited (AWSL), a wholly owned company limited by shares, established to deliver waste and recycling services in the former Allerdale area.
- Allerdale Investment Partnership LLP (AIP), a joint venture partnership with Cumbria Partnerships Limited, has a Members Agreement in place which sets out the governance framework.
- Energy Coast West Cumbria Limited (BEC), a jointly owned company between the Council and the NDA, limited by guarantee.
- Energy Coast West Cumbria (Workspace) Ltd, a jointly owned company between the Council and the NDA, limited by guarantee.
- Industrial Solutions Hub Limited (iSH), a wholly owned company limited by guarantee. The Council has reserved decisions over certain matters to itself.
- Cumbria County Holdings Limited, a company limited by share capital, jointly owned by the Council and Westmorland and Furness Council. Each Council has reserved certain decisions to itself and has appointed a shareholder's representative who may take those decisions.

Company arrangements are disclosed as part of the financial statements however the issue of governance is extremely important to the Council. A Shareholder and Trustee Committee has been established as a Committee of the Executive to perform the Shareholder function and maintain oversight. The Chief Finance Officer has been appointed as the Shareholder Representative. An external review of company governance arrangements has been commissioned by the Council to take place during 2025/26. This review will look at each of the Council's companies, the purpose for which each was originally established, whether the purposes continue or have changed and whether the vehicle is still fit for purpose and will make recommendations for best practice moving forward.

Systems

Systems of Internal Control

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. Together with the Directors' Local Scheme of Sub-Delegation and the Leader's Scheme of Delegation, they define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year, the Directors' Local Scheme of Sub-Delegation continues to be reviewed to ensure that it clearly sets out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines assurance model. Risk assessment is overseen in the Council by Senior Leadership Team and Audit & Risk Committee, where strategic risks faced by the Council are reviewed and appropriate steps identified to mitigate risks as far as possible. The Risk Management framework was subject to review by External Audit and found to adopt good practice, including use of risk appetite to manage risk effectively. A Risk Management Improvement Plan is in place and subject to regular review, with a key project in place to include risk management on suitable online software. The Council is committed to developing the risk management framework further, including implementation of an integrated assurance strategy (see improvement plan).

The Council has an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR) and domestic data protection legislation, information governance risk assessments, the retention of records and, continues to develop records management arrangements. Training on data protection continues to be mandatory for Members and Officers and is undertaken via an e-learning module. Training is updated throughout the year as issues arise, and advice is provided on all aspects of information governance as necessary by the Information Governance team. Directorates have nominated 'Champions' to facilitate responses by service managers to requests. The former districts and county teams have been aggregated, however, there are vacancies in the team and this has affected performance. The team is undergoing restructure to provide greater resilience and vacancies recruited to.

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate commentary from the Council's Monitoring Officer and from the s151 Officer, or their delegates. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Leadership Team

6: ANNUAL GOVERNANCE STATEMENT

and the Senior Leadership Team to ensure that financial and legal advice is available at the inception of any matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided at Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Planning, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. The Monitoring Officer or Deputy Monitoring Officer attends meetings of the Audit Committee, Standards and Governance Committee and Staffing Committee, and of Overview and Scrutiny where required.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

The Contracts Procedure Rules, included in the Constitution, set out the requirements that officers must follow when procuring goods, services and works. The Rules have been recently updated to take account of changes in procurement legislation and training provided to Council officers. There is a clear governance process in place to ensure appropriate permissions are sought before a procurement opportunity can be advertised, and a similar process ensuring permission to award has been granted before entering into a contract. Checks are in place to ensure this is consistently applied. All open tenders are supported by officers in the procurement team to ensure procurement legislation is adhered to. Additionally spot checks, including for the use of Procurement Cards, are undertaken to ensure Officers have adhered to the Constitution and used at least the minimum process required when sourcing a supplier. Advice, guidance and templates are available to officers to support them to adhere to the processes.

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy.

Training on Fraud & Corruption is provided during the year and refreshed as issues arise. The Council has suitable systems in place to manage counter-fraud but recognises the need to develop a counter-fraud strategy and risk assessment profile for the authority, which was highlighted by the external audit annual report. A supplementary e-learning training module on Money Laundering is also under development. Any investigations carried out during the year in relation to suspected fraud and corruption are undertaken by appropriately experienced officers

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Cumberland Plan. The PMO has developed a portfolio of transformation programmes that aligns to the Council Plan and Medium-Term Financial Strategy to achieve the long-term financial sustainability of the Council, delivers high performing quality services that deliver better outcomes for our residents, and implements our agreed operating model.

All eight transformation programmes are monitored and reported through the Council's governance and assurance framework to track progress against milestones, projected investment levels and savings achieved, delivery of outputs, risk and issue management. Programmes' performance is reviewed at project boards, programme boards, weekly

Assurance and Efficiency Delivery Board, and monthly Strategic Programme Panel meetings by SLT.

There is ongoing collaboration between PMO and Finance colleagues to track areas of financial pressure, Exceptional Financial Support investment, efficiency savings, transformation benefits; all aligned to strategic budget planning and the Medium-Term Financial Plan.

The PMO has established operational project delivery teams and programme boards to drive progress against achieving milestones, review risks and issues, monitor budget expenditure and identify issues for escalation. The Assurance and Efficiency Delivery Board provides oversight and assurance to ensure the delivery of projects and programmes aligned to financial pressures and reporting. The Strategic Programme Panel (SLT) meets monthly to provide strategic direction, consider/approve project gateway documentation, allocate resources, prioritise objectives and provide a check and challenge when reviewing progress of major project activity. Terms of reference are in place for each of the groups and boards within the governance and assurance framework and regular meetings are taking place. The governance framework links directly to the Council's constitutional decision-making processes including Overview and Scrutiny, Executive, Council etc.

ICT Systems

A programme for the disaggregation of the Hosted ICT service is under development, to include staffing, systems and infrastructure. This is a resource intensive programme, to be delivered alongside a number of other Digital and ICT priorities, including the ongoing disaggregation and aggregation of line of business applications, linked to service harmonisation and transformation. It has been recognised that additional capacity in the service is required, and this is reflected in budget approval for additional revenue and capital growth in the service to support the delivery of these programmes. Cyber security continues to present a risk, and this is reflected in this being a strategic risk which is monitored and reported corporately. Harmonisation includes the requirement for a central repository of key document and guidance (including policies) through an intranet site accessible to all officers. This project is in development.

Business Continuity and Disaster Recovery Arrangements

The Civil Contingencies Act 2004 defines Cumberland Council as a Category 1 Organisation. As such we are subject to a full set of civil protection duties. Cumberland Council is fully committed to implementing an effective Business Continuity Management system as a key mechanism to restore and deliver continuity of all the Council's critical services in the event of a disaster or emergency. Disruptive events occur unexpectedly, and such events could be external, like severe weather, flooding, utility failures, pandemics, or internal failures such as ICT or cyber incidents. Through our service led planning we can initiate disaster recovery plans that will enable us to resume normal business effectively and efficiently. Maintaining our priority services during any disruption whilst ensuring the safety of staff and others affected by our activities. Work is ongoing to harmonise Business Continuity Planning and Disaster Recovery arrangements across the whole Council (as identified in the Internal Audit of Business Continuity and External Audit of Disaster Recovery arrangements).

Audit and inspection

The Council has a duty to comply with the five key principles contained within the 2019 CIPFA statement of the 'Role of the Head of Internal Audit in Public Service Organisations' namely:

6: ANNUAL GOVERNANCE STATEMENT

- The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:
 - 1: objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control;
 - 2: championing best practice in governance and commenting on responses to emerging risks and proposed developments;
- To perform this role the head of internal audit must:
 - 3: be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee;
 - 4: lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively; and
 - 5: be professionally qualified and suitably experienced.

During 2023/24, the Council complied with all five key principles of the CIPFA statement. The Head of Internal Audit and Risk manages an in-house Internal Audit team comprising an Audit Services Manager, a Principal Auditor and six Senior Auditors (three vacant). Vacancies within the team have been addressed using temporary staff as a short-term measure while restructure and recruitment is undertaken, to ensure that the service is properly resourced, however some vacancies remain. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter.

The scope of internal audit work covers all aspects of the Council's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the authority on emerging risks and undertake priority risk audit work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit and Risk Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

The Final Head of Internal Audit Opinion for 2023/24 was reported in September 2024 and provided partial assurances. Key improvement themes included the need for harmonised restructures, addressing financial sustainability through responding to internal audit recommendations and external assurance findings and rationalising ICT systems

The Head of Internal Audit and Risk reports directly to the Council's Monitoring Officer, sits on the Corporate Governance Group and has direct access to the Senior Leadership Team (SLT) and Chief Executive as required. The Head of Internal Audit and Risk attends all Audit Committee meetings and has the opportunity for private dialogue with the Chair as appropriate.

The resource available within Internal Audit is subject to a regular review and assessed as fit for purpose for 2023/24; the team achieved sufficient coverage to enable an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Head of Internal Audit and Risk is a Chartered member of the IIA and has 15 years' experience in Local Government Internal Auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

Grant Thornton has been appointed as the Council's External Auditor for the period covering the statutory accounts for the financial year 2023/24. They are represented at each meeting of Audit Committee to update members on progress and provide sector updates.

Regular meetings take place between the external auditors and senior Council officers to cover progress on the external audit plan and other key audit related issues. Additional meetings are arranged as necessary throughout the year. The Council ensures that it provides support, information and timely responses to the external auditor and fully considers their findings and recommendations.

Under the National Audit Office Code of Practice, the external auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report their commentary on the Council's arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.

Grant Thornton publicised their draft audit opinion for 2023/24 in February 2024. The report identified concerns around capacity within the Finance Team and the resultant delays to preparation of both legacy accounts and Cumberland's 2023/24 accounts, which resulted in a statutory recommendation, reported to Full Council in April 2025. The report also included 5 other key recommendations in relation to developing the transformation programme (financial sustainability), further development areas in relation to financial management, management of the DSG legacy deficit, Disaster Recovery arrangements and improvements to procurement and contract management arrangements. The Council has completed an action plan to address the specific recommendations and will continue to seek improvements to the relevant processes and procedures.

Compliments, complaints and whistleblowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government and Social Care Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The complaints process was streamlined during 2024/25 to replace the four legacy procedures which remained following LGR. The new process is presently being embedded. The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal to the Chief Executive or nominee.

There are arrangements in place to capture, record and monitor Ombudsman complaints and, where appropriate, a finding of maladministration is reported to a formal meeting of Standards and Governance Committee, along with any proposed remedial action. The Monitoring Officer also reserves the right to make a report of unlawfulness to Council.

The Council has a Confidential Reporting ('Whistleblowing') Policy that was approved by Audit Committee in 2023/24 and is available to all members of staff. The Council received two confidential reports during 2023/24, both of which were subject to investigation. Both the Internal Audit of Culture and the External Auditor's Annual Report for 2023/24 identified further work required to raise awareness of the confidential reporting arrangements. An awareness campaign was outlined to the Council's Audit Committee in February 2025 and is currently being embedded.

Oversight and Scrutiny

The Council has four Overview and Scrutiny Committees: Business and Resources, Health, People and Place. These Committees undertake the statutory scrutiny role set out in the 2000 Act and act as a critical friend in examining and commenting on those policies proposed

by the Executive for adoption as part of the policy framework. They are also responsible for considering any 'called in' decisions.

The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

Documents

Cumberland Plan

The Cumberland Plan was adopted by Council on 18th October 2022. The plan communicates the Council's vision and outcomes are monitored via the Delivery Plan. The end of year performance report presents the outcomes and performance of the Cumberland Plan to the Executive and Overview & Scrutiny Committees and to residents. The Council has had a target operating model, which sets out how the Council intends to deliver its Plan through empowering communities, increasing self-service, improving service delivery and harnessing technology, data and insight. The model will provide a consistent framework to embed new ways of working. Work to fully embed the model are ongoing and are a key aspect of our transformation activity.

Individual service plans set out the priorities, objectives, resources and key risks for each Council service. The Council recognises further development is required to ensure all relevant information is captured and monitored.

Constitution

The Council has a formally adopted Constitution which is reviewed regularly and at least annually, and which is published on the website. The Standards and Governance Committee is responsible for overseeing the Constitution and has established a Constitution Working Group. Any changes are reported to the Standards and Governance Committee for onward recommendation to Council. The Committee comprises seven Cumberland Elected Members who are advised by one of two Independent Persons (the appointment of the Independent Persons is ratified by full Council). In addition, the Monitoring Officer has delegated authority to make necessary and consequential changes, so long as they do not materially change any principles previously approved by the Council.

Codes of Conduct and Standards

The Council has a formally adopted Code of Conduct for elected Members which sets out clear expectations of behaviour. The Code follows the LGA Model Code which is underpinned by the Nolan Principles of Public Life. The Council has approved arrangements for dealing with standards complaints. All form part of the Council's suite of Constitutional documents and all Members undertake to adhere to its provisions as part of their Declaration of Acceptance of Office when elected.

Oversight of the Members' Code of Conduct rests with the Monitoring Officer and the Council's Standards and Governance Committee. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council and is made available to all Members of the Council. Annual training is provided to members of the Standards and Governance Committee. Further training on relevant Standards issues is provided by way of follow up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Good Practice for those Members serving on the Development Control Committee and the Member's Social Media Guidance

document. Training is provided in the Member Induction Programme. A Member training programme is in place to provide training on a range of issues, informed by annual needs audits. Mandatory annual and in-year training is also given to Members of the Planning, Regulatory and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those quasi-judicial Committees. Training is also provided to members of the Audit, Standards and Governance and Overview and Scrutiny Committees to enable them to fulfil their particular duties. There is a need to both formalise member training and hold regular member refresher training events.

The Council also has a Code of Conduct for Council officers which highlight expected methods of work and behaviours. New staff receive a formal induction procedure. Throughout the year, the Council offers a training programme to raise awareness of ethical governance issues across the Council, such as decision making, procurement and budgetary control, and has rolled out a Managers' Development Programme. Numerous e-learning packages are also available to supplement the training schedule.

Both the Codes of Conduct for Council Officers and Members includes a requirement for declaration of any conflicts of interest and/or gifts and hospitality, which should be formally registered. Declarations for members are published on the Council's website. In January 2025 the Council recognised a need to further develop the process for officer declarations and this is under development.

Budget and Policy Framework

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council's Budget and Policy Procedure Rules are set out in the Constitution. A limited number of policies (8) are reserved to full Council which means that decisions are able to be taken in a clear, transparent manner and from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The Council's four Overview and Scrutiny Committees undertake the statutory scrutiny role set out in the 2000 Act and act as a critical friend in examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework.

The Council has updated a series of legacy policies and strategies, with a focus on strategic policy and key operational policy and has met its statutory obligations to harmonise policies as set out in the LGR Transitional Regulations. Work to harmonise inherited legacy policies will continue as working practices and procedures are harmonised across the Council.

Review of Effectiveness

The Council must conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers within the Council who have responsibility for the development and maintenance of the governance environment and the following sources:

- External Audit Outcomes
- Internal Audit Outcomes, including the Head of Internal Audit's Annual Opinion
- Performance and Finance Data, including budget monitoring
- Audit and Risk Committee Reports and meetings
- Overview and Scrutiny Reports and meetings
- Annual Review of conformance Good Governance Principles
- Self-Assessment Assurance Questionnaires
- External Assurance Reviews

6: ANNUAL GOVERNANCE STATEMENT

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and updated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny Committees, Standards and Governance Committee and the Audit Committee. Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's s151 Officer and Monitoring Officer, or their delegates.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by SLT and is reported quarterly to Audit Committee. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Head of Internal Audit and Risk reports to the Audit and Risk Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Head of Internal Audit and Risk also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of main financial systems and assurances taken from second line assurance providers, alongside the results of audit activity. The Council has also received external assurances in 2023/24 which inform this statement of assurance.

The Council receives assurances from its external auditors, Grant Thornton, which provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The Council engages with all formal inspection agencies including the Care Quality Commission and OFSTED and all reports and action plans arising from inspections are shared with SLT, Executive, Scrutiny and Audit as appropriate. The Council continues to develop work in relation to fully embedding an integrated assurance approach.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed.

Following work with partner organisations and advice and guidance from MHCLG, LGA, CIPFA and external auditors the Council has formed an Independent Improvement plan, which has adopted an Improvement Plan for the Council, which is a consolidated plan to address the various recommendations made in the reviews highlighted above, including specific sections for financial management, financial sustainability and governance. The action plan to this AGS refers to the improvement plan to avoid repetition, but where necessary any further areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

Conclusion and Action Plan

The Council has reviewed key performance measures and there have been consultations with the Monitoring Officer, s151 Officer, Head of Paid Service, Head of Internal Audit and Risk and the Senior Leadership Team. During 2023/24:

- No formal reports were issued by the s151 Officer or the Monitoring Officer
- No breaches of the Officer Code of Conduct were reported
- No objections were received from local electors in relation to the Statement of Accounts
- No successful Judicial Review claims were brought against the Council

This is the Council's first Annual Governance Statement and the Council is still in its transformation stage. Accordingly, the attached action plan includes a number of areas which need to be addressed in future years.

The Council recognises that an effective and robust governance framework is essential in supporting the Council to achieve its objectives. We are committed to maintaining and enhancing an effective governance framework for the Council and ensuring that it can meet the challenges and opportunities available to it. The delivery of the action plan will be key in achieving this.

6: ANNUAL GOVERNANCE STATEMENT

Appendix - Action Plan 2023/24

Area	Action	Responsible Officer	Target Date	Current Position / Action Planned
Overall	Ensure implementation of all relevant elements of the Council Improvement plan to improve financial management, financial sustainability and governance arrangements.	Chief Legal Officer / Chief Finance Officer / Head of Internal Audit & Risk Management	30 Dec 2026	
Code of Corporate Governance	Produce a harmonised Code of Governance for Cumberland consistent with the principles of the CIPFA/SOLACE 2016 Framework.	Chief Legal Officer	13 Feb 2025	Completed - Local Code of Corporate Governance agreed by Audit Committee and now in place.
Audit Committee	Complete the identified actions highlighted in the July 2024 Effectiveness Review of the Audit Committee.	Chief Legal Officer / Head of Internal Audit & Risk Management	30 October 2025	Actions progressed on a regular basis, with updates provided to each Audit committee. 9 actions remain in progress.
Regulatory Committees	Determine frequency and nature of reporting from O&S/ Regulatory Planning and Licensing Committees to Council.	Chief Legal Officer	N/A	Completed
Structure	Finalise and publish full organisational structure.	Assistant Director Human Resources and Organisational Development	30 March 2027	Management structure publicised and communicated and Directory in place. Full structure only possible following further ICT development of HR system.
Workforce Development	Finalise, approve and deliver the Workforce Development Strategy.	Assistant Director Human Resources and Organisational Development	30 December 2026	Draft plan prepared for senior management review.
EDI Monitoring	Understand and review staff diversity data and develop monitoring.	Assistant Director Human Resources and Organisational Development	30 June 2026	
Benchmarking	Conduct regular benchmarking exercises to obtain assurances around value for money.	Chief Finance Officer	30 March 2026	
Partnership Policy	Develop a comprehensive Partnership policy to clearly define the Council's Governance and Risk Management arrangements in place in relation to partnerships.	Chief Legal Officer	31 March 2026	
Financial Procedures	Update Financial Procedure Rules annually.	Chief Finance Officer	30 March 2026	

6: ANNUAL GOVERNANCE STATEMENT

Area	Action	Responsible Officer	Target Date	Current Position / Action Planned
Companies	Complete review of company governance	Chief Legal Officer	30 October 2025	
Transparency Code	Continue to publish relevant transparency data	All Assistant Directors overseen by Data Protection Officer / Senior manager Digital Innovation and Customer Experience	30 March 2027	
Counter-Fraud	Develop a comprehensive counter-fraud strategy and risk assessment.	Head of Internal Audit & Risk Management	30 October 2025	To be reviewed and prepared during 2024/25.
Internal Audit	Take action to address current capacity issues within Internal Audit	Head of Internal Audit & Risk Management	30 June 25	Appointments made September 2025.
Confidential Reporting	Enhance awareness of confidential reporting policy.	Head of Internal Audit & Risk Management	30 June 25	Complete
Values	Continue to embed the Council values across the whole of the Council services.	Chief Executive/ Assistant Director for OD and HR	30 March 2026	People and Culture Programme and Board now in place to oversee delivery.
Member Training	Formalise Member Training, including regular refresher training.	Chief Legal Officer	29 April 2025	TBC
Declarations of Interest	Enhance the current declaration process for officers	Chief Legal Officer	N/A	Draft templates prepared and available on intranet.
Intranet	Ensure all key policies are available through a shared intranet	Senior manager Digital Innovation and Customer Experience	30 March 2026	

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 estimates	Monetary amounts in financial statements that are subject to measurement uncertainty.
accounting policies	The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.
accruals (accrued expenditure)	Liabilities to pay for goods or services that have been received or supplied during the accounting period but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example amounts relating to accrued holiday pay).
accrual basis	A basis of accounting under which transactions and other events are recognised when they occur even if the resulting cash receipts and payments occur in a different period. Under the accruals basis an authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Code.
active market	A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
actuarial gains and losses (for a defined benefit pension scheme)	Changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.
amortisation (depreciation)	The systematic allocation of the depreciable amount of an intangible asset over its useful life.
amortised cost of a financial asset or financial liability	The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
assets	A present economic resource controlled by the entity as a result of past events.
asset ceiling	The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
assets held by a long-term employee benefit fund	Assets (other than non-transferable financial instruments issued by the reporting authority) that are either: (a) held by a fund that is separated within the reporting authority in accordance with Local Government Pension Scheme requirements and exists solely to pay or fund employee benefits, or (b) held by an entity (a fund) that is legally separate from the reporting authority and exists solely to pay or fund employee benefits; and (c) are available to be used only to pay or fund employee benefits, are not available to the reporting authority's own creditors (even in bankruptcy), and cannot be returned to the reporting authority, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting authority; or (ii) the assets are returned to the reporting authority to reimburse it for employee benefits already paid.
associate	An entity over which an investor (i.e. a reporting authority) has significant influence.
authorised for issue (date)	For unaudited accounts - the date on which the responsible financial officer (RFO) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval.

7: GLOSSARY

	For audited accounts - the date the responsible financial officer (RFO) re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015.
benefits payable during employment	Benefits payable during employment include a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. b) Other long-term employee benefits (other than post-employment benefits and termination benefits) earned by current employees but not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. (e.g. long-service leave or jubilee payments and long-term disability benefits).
call accounts	Funds placed with a financial institution without a fixed maturity date and which can be 'called' or withdrawn at any time.
capital expenditure	Expenditure which falls to be capitalised in accordance with proper practices (i.e. the expenditure results in an asset being recognised on the balance sheet) or which otherwise falls to be treated as capital expenditure under regulations or by virtue of a capitalisation direction.
capital receipt	A sum received by the authority in respect of the disposal by it of an interest in a capital asset'. An asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure. Capital receipts also include sums to be treated as being a capital receipt under regulations. These include repayment of a loan, grant or other financial assistance, given by an authority if the same loan, grant or advance would qualify as capital expenditure if incurred at the time of the repayment. Capital receipts which, in aggregate do not exceed £10,000 are not treated as a capital receipt. Capital receipts can only be used for one or more of the purposes set out in regulations. For example, to finance capital expenditure, to repay the principal of any amount borrowed, to pay a premium charged in relation to any amount owed or to meet the costs of disposal of an interest in non-housing land, provided these do not exceed 4% of the capital receipt arising from the disposal.
capitalisation	Recognising expenditure as part of the cost of a non-current asset.
carrying amount	The amount at which an asset, a liability or reserve is recognised in the balance sheet.
carrying amount (of an intangible asset)	The amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.
carrying amount (of PPE)	The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.
cash	Cash on hand and demand deposits.
cash equivalents	Short-term, highly liquid investments, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.
cash flows	Inflows and outflows of cash and cash equivalents.
cash-generating assets	Assets held with the primary objective of generating a commercial return.
cash-generating unit	The smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
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.

7: GLOSSARY

class of financial instrument	Grouping of financial instruments that is appropriate to the nature of the information disclosed and that takes into account the characteristics of those financial instruments.
close members of the family of an individual	Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: • that person's children and spouse or domestic partner • children of that person's spouse or domestic partner, and • dependants of that person or that person's spouse or domestic partner.
commencement of the lease term	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).
community assets	Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. Community assets exclude assets accounted for as heritage assets. Examples include parks (excluding archaeological sites); cemeteries and crematoria (land only) and allotments where there are restrictions on alternative uses).
conditions on transferred assets	Stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
constructive obligation	An obligation that derives from an authority's actions where: • by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and • as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.
contingent liability	(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or (b) A present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.
component [of an item of PPE]	Part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.
contingent rent	That portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).
contract	An agreement between two or more parties that creates enforceable rights and obligations.
contract asset	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.

7: GLOSSARY

cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.
cost approach	A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
costs of disposal	The incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax expense.
costs to sell	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.
credit-adjusted effective interest rate	Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.
credit-impaired financial asset	A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
credit loss	The difference between all contractual cash flows that are due to an authority in accordance with the contract and all the cash flows that the authority expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Estimates of cash flows include consideration of all contractual terms of the financial instrument through the expected life of that instrument along with cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
credit rating	A standardised assessment - expressed in alphanumeric characters - of the creditworthiness of an entity raising debt capital provided by credit rating agencies to investors and analysts. Ratings also serve as a measure of the risks relating to specific financial instruments.
credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
credit risk rating grades	The rating of credit risk based on the risk of a default occurring on the financial instrument
creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
current asset	An asset that is: a) intended to be sold or used within the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months); b) held primarily for the purpose of trading; c) expected to be realised within 12 months after the reporting date; or d) cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
current liability	A liability that: a) is expected to be settled in the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months) b) is held primarily for the purpose of trading c) is due to be settled within 12 months after the reporting period, or d) the authority does not have an unconditional right to defer settlement of for at least 12 months after the reporting period.

7: GLOSSARY

current replacement cost	The cost the authority would incur to acquire the asset on the reporting date.
current service cost	The increase in the present value of a defined benefit obligation resulting from employee service in the current period.
current tax	The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.
current value (for land and buildings)	The amount that would be exchanged for the asset in its existing use. Current value measurement bases include: - existing use value (EUV) defined in accordance with UK VPGA 6 and UK VPGA 4 of the Royal Institution of Chartered Surveyors (RICS) <i>Valuation - Global Standards 2017: UK national supplement</i> for assets providing service potential to the authority where an active market exists, and - depreciated replacement cost for assets where there is no market and/or the asset is specialised.
debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
deductible temporary differences	Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
deferred tax assets	The amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry-forward of unused tax losses; and (c) the carry-forward of unused tax credits.
deferred tax liabilities	The amounts of income taxes payable in future periods in respect of taxable temporary differences.
deficit or surplus of a defined benefit pension scheme	The present value of the defined benefit obligation less the fair value of plan assets (if any).
defined benefit (pension) plan	A post-employment benefit plan other than a defined contribution plan. Under a defined benefit plan the amounts paid as retirement benefits are determined independently of the investments of the plan by reference to a formula - usually based on an employees' earnings and/or years of service. Defined benefit plans include both funded schemes such as the Local Government Pension Scheme and unfunded (pay as you go) schemes.
defined contribution plan	A post-employment benefit plan under which an authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.
demand deposit	Interest bearing bank account not available to be used for cheques or other similar payments. Interest is usually paid at fixed intervals typically quarterly or annually. Normally repayable on demand without penalty although notice period may apply in some circumstances.
depreciable amount	The cost of an asset, or other amount substituted for cost, less residual value.
depreciation (amortisation)	The systematic allocation of the depreciable amount of an asset over its useful life.
depreciated replacement cost (DRC) - instant build approach	A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The 'instant build' approach excludes from the valuation any allowance for borrowing costs incurred over an assets construction period.
derecognition	The removal of all or part of a recognised asset or liability from an authority's balance sheet.

7: GLOSSARY

derecognition (of a financial asset or liability)	The removal of a previously recognised financial asset or financial liability from an authority's Balance Sheet.
derivative	A financial instrument or other contract within the scope of [IFRS9] with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying"); (b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) It is settled at a future date.
discontinued operation	An activity of an authority that ceases completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.
discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.
disposal group	A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.
dividends	Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.
donated assets	Assets (including heritage assets) transferred at nil value or acquired at less than fair value.
earmarked reserves	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
economic life	Either: (a) the period over which an asset is expected to yield economic benefits or service potential to one or more users; or (b) the number of production or similar units expected to be obtained from the asset by one or more users.
economic resource	A right that has the potential to produce economic benefits, service potential or both.
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
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:

7: GLOSSARY

	a) those events that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).
exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
executory contracts	Contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.
existing use value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.
exit price	The price that would be received to sell an asset or paid to transfer a liability.
expected credit losses	The weighted average of credit losses with the respective risks of a default occurring as the weights.
expenses	Decreases in economic benefits or service potential in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of property, plant and equipment.
fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
fair value less costs to sell	The amount obtainable from the sale of an asset (or cash-generating unit) in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.
finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
financial asset	A right to future economic benefits controlled by the authority that is represented by: • cash • an equity instrument of another entity • a contractual right to receive cash (or another financial asset) from another entity • a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.
financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.
financial liability	An obligation to transfer economic benefits controlled by the authority that is represented by: • a contractual obligation to deliver cash (or another financial asset) to another entity • contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.
financial liability at fair value through profit or loss	A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions: a) it meets the definition of held for trading; b) upon initial recognition it is designated by the authority as at fair value through profit or loss in accordance with paragraph 7.1.5.8 of the Code or

7: GLOSSARY

	paragraph 4.3.5 of IFRS 9; c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9.
financing activities	Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.
future economic benefit or service potential	Economic benefits refer to the potential to contribute directly or indirectly to the flow of cash and cash equivalents to an entity. Service potential indicates the capacity of an asset to provide goods and services in accordance with an entity's objectives, without necessarily generating any net in-flows of cash and cash equivalents.
gilts	UK government securities issued by HM Treasury
going concern assumption	The assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.
government	Central government, government agencies and similar bodies whether local, national or international.
government-related entity	An entity that is controlled, jointly controlled or significantly influenced by a government.
grants and contributions	Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.
gross carrying amount of a financial asset	The amortised cost of a financial asset, before adjusting for any loss allowance.
gross investment in the lease	The aggregate of: (a) the minimum lease payments receivable by the lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
group	A parent and all its subsidiaries.
group accounts	The financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.
guaranteed residual value	For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and For a lessor, that part of the residual value that is guaranteed by the lessee, or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
held for trading	Held for trading is a financial asset or financial liability that: a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term b) on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
heritage assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting authority in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.
highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.

7: GLOSSARY

highly probable	Significantly more likely than probable.
historical cost (of property, plant and equipment)	The carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later and adjusted for subsequent depreciation or impairment (if applicable).
identifiable (asset)	An asset is identifiable if it either: (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
impracticable	Applying a requirement is impracticable when the authority cannot apply it after making every reasonable effort to do so.
inception of the lease	The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.
income	Increases in assets, or decreases in liabilities, that result in increases in reserves. Income includes both revenue arising in the normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.
income approach	A valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
income from a structured entity	Income that includes but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.
infrastructure assets	Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, permanent ways, coastal defences, water and drainage systems).
initial direct costs (of a lease)	Incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.
inputs	The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following: a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model), and b) the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.
input tax	VAT charged on purchases.
intangible asset	An identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic benefits or service potential must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.
intangible heritage asset	An intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.
interest in another entity	Contractual and non-contractual involvement that exposes a reporting authority to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. A reporting authority does not necessarily have an interest in another entity solely because of a typical customer–supplier relationship.

7: GLOSSARY

interest rate implicit in the lease	The discount rate that, at the inception of the lease, causes the aggregate present value of: (a) the minimum lease payments; and (b) the unguaranteed residual value to be equal to the sum of (i) the fair value of the leased asset, and (ii) any initial direct costs of the lessor.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
inventories	Assets: a) in the form of materials or supplies to be consumed in the production process b) in the form of materials or supplies to be consumed or distributed in the rendering of services c) held for sale or distribution in the ordinary course of operations, or d) in the process of production for sale or distribution.
investing activities	Activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
investment property	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes, or b) sale in the ordinary course of operations.
joint arrangement	An arrangement of which two or more parties have joint control.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
joint operator	A party to a joint operation that has joint control of that joint operation.
joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel	All chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.
lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
lease term	The non-cancellable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option
legal obligation	An obligation that derives from a contract (through its explicit or implicit terms); legislation, or other operation of law.
lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.
level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
level 3 inputs	Unobservable inputs for the asset or liability.
liability	A present obligation of the authority to transfer an economic resource as a result of past events.

7: GLOSSARY

lifetime expected credit losses	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Financial liabilities, other than short-term trade payables on normal credit terms.
loss allowance	The allowance for expected credit losses on financial assets measured in accordance with paragraph 7.1.5.2 of the Code (i.e. at amortised cost), lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 7.1.5.3 of the Code (i.e. fair value through other comprehensive income) and the provision for expected credit losses on loan commitments and financial guarantee contracts.
market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
market-corroborated inputs	Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
market participants	Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: - 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. - 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. - They are able to enter into a transaction for the asset or liability. - They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.
material	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local authority.
minimum lease payments	The payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with: - for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or - for a lessor, any residual value guaranteed to the lessor by: (i) the lessee; (ii) a party related to the lessee; or (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.
minimum revenue provision (MRP)	The minimum amount that must be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements.
minority interest	The equity in a subsidiary not attributable, directly or indirectly, to a parent.
modification gain or loss	The gain or loss arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. Adjustment of the gross carrying amount reflects the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset, discounted at the asset's original effective interest rate (or the original credit-

7: GLOSSARY

	adjusted effective interest rate for purchased or originated credit-impaired financial assets). The estimated future cash flows of a financial asset exclude expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset.
money market fund	A regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments such as bank deposits, certificates of deposit and commercial paper. Money market funds may also hold other types of securities such as floating rate notes and fixed rate bonds which have only a short time until their maturity.
most advantageous market	The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.
multi-employer plans	Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: - pool the assets contributed by various entities that are not under common control, and - 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: - upon the occurrence of some remote contingency; - with the permission of the lessor; - if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or - 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.
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

7: GLOSSARY

	Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.
obligating event	An event that creates a legal or constructive obligation that results in an authority having no realistic alternative to settling that obligation.
obligation	A duty or responsibility that an authority has no practical ability to avoid. An obligation is always owed to another party (or parties) which could be one or more persons or entities, or society at large. It is not necessary to know to whom the obligation is owed.
observable inputs	Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
onerous contract	A contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.
operating activities	The activities of the authority that are not investing or financing activities.
operational assets	Assets occupied, used or consumed in the production or supply of goods and services for which it has either a statutory or discretionary responsibility, for rental to others, or for administrative purposes
operating lease	A lease other than a finance lease.
operating segment	An operating segment is a component of an authority that engages in activities and whose operating results are reviewed regularly as part of internal management reporting for the purpose of (a) evaluating the authority's past performance in achieving its objectives and (b) making decisions about the future allocation of resources.
orderly transaction	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a forced liquidation or distress sale).
other comprehensive income and expenditure	Items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus and remeasurement of the net defined benefit liability (asset).
other long-term employee benefits	Employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
output tax	VAT charged on sales.
oversight	The supervision of the activities of an authority, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the authority.
owner-occupied property	Property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.
parent	An entity (i.e. reporting authority) that has one or more subsidiaries.
party to a joint arrangement	An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.
past due	A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.
past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan).
performance obligation	A promise in a contract with a service recipient to transfer to the service recipient either:

7: GLOSSARY

	a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the service recipient.
plan assets	a) assets held by a long-term employee benefit fund, and b) qualifying insurance policies.
post-employment benefits	Employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefits cover not only pensions but also other benefits payable post-employment such as life insurance and medical care.
post-employment benefit plans	Formal or informal arrangements under which an authority provides post-employment benefits for one or more employees.
power	Existing rights that give the current ability to direct the relevant activities.
prepayment/ payments in advance	An asset in respect of payments made for goods or services that have not yet been received or supplied.
present value of a defined benefit obligation	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
principal market	The market with the greatest volume and level of activity for the asset or liability.
prior period errors	Omissions from, and misstatements in, the authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
probable	More likely than not.
projected unit method	Actuarial valuation method used to determine the present value of defined benefit pension fund liabilities and service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.
proper (accounting) practices (as defined by regulations)	Accounting practices contained in The Code of Practice on Local Authority Accounting in the United Kingdom' published by CIPFA, as amended or reissued from time to time.
property, plant and equipment	Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
protective rights	Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate
provision	A liability of uncertain timing or amount.
PWLB	Statutory body operating within the United Kingdom Debt Management office, an Executive Agency of HM Treasury. PWLB's whose function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
purchased or originated credit-impaired financial asset	Purchased or originated financial asset(s) that are credit-impaired on initial recognition.

7: GLOSSARY

puttable instrument	A financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
qualified valuer	A person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.
quoted in an active market	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's-length basis.
receipts in advance	A liability relating to resources received but in respect of which the relevant revenue recognition criteria have not been met.
receivable	Unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.
reclassification adjustments	Amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.
reclassification date	The first day of the first reporting period following the change in business model that results in an authority reclassifying financial assets.
recognition	The process of capturing for inclusion in the in the balance sheet or comprehensive income and expenditure statement an item that meets the definition of one of the elements of financial statements -an asset, a liability, reserve, income or expenses. Recognition involves depicting the item in one of those statements - either alone or in aggregation with other items - in words and by a monetary amount, and including that amount in one or more totals in that statement.
recoverable amount (of an asset)	The higher of fair value less costs to sell (i.e. net selling price) and its value in use.
related party	A person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity'). (a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). (iii) Both entities are joint ventures of the same third party (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council.

7: GLOSSARY

related party transaction	A transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part. Examples of related party transactions include sales, transfers and exchanges of non-current assets, leases, guarantees, the provision of goods and services, secondment of staff and the making of loans and investments.
relevant activities,	Activities of the investee that significantly affect the investee's returns.
remeasurements of the net defined benefit liability (asset)	Remeasurements comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).
remuneration of key management personnel	Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority. It includes all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.
reporting date	The date of the last day of the reporting period to which the financial statements relate.
reserves	The residual interest in the assets of the authority after deducting all its liabilities. They include usable reserves (i.e. those that an authority may use to provide services either by incurring expenses or undertaking capital investment) and unusable reserves (those that an authority is not able to utilise to provide services). The latter includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line 'Adjustments between the accounting basis and funding basis under regulations'. This includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line on adjustments between the accounting basis and funding basis.
residual value (of an asset)	The estimated amount that an authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
restrictions on transferred assets	Stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.
restructuring	A programme that is planned and controlled by management, and materially changes either: (i) the scope of an authority's activities, or (ii) the manner in which those activities are carried out.
retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
return on plan assets	Interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing plan assets; and (b) any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.
revenue (income)	Revenue is income arising as a result of an authority's normal operating activities.
revenue expenditure	Expenditure on day-to-day items including the running of services, such as staffing and office costs, as opposed to capital expenditure.
revenue expenditure funded from capital	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:

7: GLOSSARY

under statute (REFCUS)	- capital grants and financial assistance to third parties towards expenditure which would, if incurred by the authority, be capital expenditure; - expenditure incurred on works to any land or building in which the local authority does not have an interest, which would be capital expenditure if the local authority had an interest in that land or building).
senior employee	An employee: - whose salary is £150,000 or more per year, or - whose salary is £50,000 or more per year (to be calculated pro rata for an employee employed for fewer than the usual full-time hours for the relevant authority concerned) and who is either : (a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a body, as defined by the Local Government and Housing Act 1989; (b) the head of staff for a body which does not have a designated head of paid service; or (c) any person having responsibility for the management of the body to the extent that the person has power to direct or control the major activities of the body during the year (in particular activities involving the expenditure of money), whether solely or collectively with other persons.
separate financial statements	See 'single entity financial statements'.
separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.
service cost (of a defined benefit obligation)	Service cost comprises current service cost, past service cost and any gain or loss on settlement.
service recipient	A party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.
settlement (of a defined benefit obligation)	A transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.
short-term employee benefits	Employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include: a) wages, salaries and social security contributions b) paid annual leave and paid sick leave c) profit-sharing and bonuses d) non-monetary benefits.
short-term paid absences	Periods during which an employee does not provide services to the employer, but benefits continue to be paid. Paid absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.
single entity financial statements	Those statements presented by a parent (i.e. a reporting authority with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with chapter seven of the Code. In the context of the Code, an authority's single entity financial statements are deemed to be separate financial statements.

7: GLOSSARY

significant influence	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence may be gained by share ownership, statute or agreement.
soft loan	A loan at nil or below prevailing interest rates
specified investment	An investment that is: (a) denominated in sterling with any payments or repayments payable only in sterling; (b) not a long-term investment (i.e. repayable after more than 12 months) (c) not defined as capital expenditure under regulations (d) made with a body or in an investment scheme of high credit quality or with one of the following public-sector bodies: (i) the United Kingdom Government (ii) a local authority in England or Wales or a similar body in Scotland or Northern Ireland (iii) a parish council or community council.
stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.
stand-alone selling price (of a good or service)	The price at which an authority would sell a promised good or service separately to a service recipient.
structured entity	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
subsidiary	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).
surplus or deficit on the provision of services	The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.
tangible heritage asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
taxable profit (tax loss)	The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).
taxable temporary differences	Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
tax base of an asset or liability	The amount attributed to that asset or liability for tax purposes.
tax expense (tax income)	The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).
temporary differences	Differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either: (a) taxable temporary differences; or (b) deductible temporary differences.
term deposits (time deposits)	A type of interest-bearing account for a fixed period of time - ranging from overnight to 5 years - and from which the depositor cannot withdraw funds before the maturity date without incurring a penalty. Time deposits typically pay a fixed rate of interest payable on maturity although longer sated deposits may make interim interest payments.
termination benefits	Employee benefits payable as a result of either: a) an employer's decision to terminate an employee's employment before the normal retirement date, or b) an employee's decision to accept an offer of benefits in exchange for the termination of employment (e.g. voluntary redundancy).

7: GLOSSARY

	They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.
total comprehensive income and expenditure	All components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.
trade payables	Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier but for which payment has not been made by the end of that accounting period.
trade receivables	Amounts owed by customers (individuals or corporations) for goods or services that have been delivered or supplied, and have been invoiced or formally agreed with the customer but not yet paid for. A trade receivables represents an unconditional right to receive consideration from a customer with nothing, other than the passage of time, being required before payment of that consideration is due.
trading operations	Services provided: • in a 'competitive environment' - i.e. the user has discretion to use an alternative provider, • to users (internal and external) on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates or a combination of these.
transaction costs	The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria: (a) they result directly from and are essential to that transaction. (b) they would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in IFRS 5).
transaction costs financial instruments)	Incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument
transaction price (for a contract with a service recipient)	The amount of consideration to which an authority expects to be entitled in exchange for transferring promised goods or services to a service recipient, excluding amounts collected on behalf of third parties.
transfers	Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
transfer of a function to or from a local authority	A transfer of an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.
transport costs	The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.
unearned finance income	The difference between: (a) the gross investment in the lease; and (b) the net investment in the lease.
unguaranteed residual value	That portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.
unit of account	The level at which an asset or a liability is aggregated or disaggregated in an IFRS for recognition purposes.
unobservable inputs	Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
useful life (of a lease)	The estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.

7: GLOSSARY

useful life	The period of time over which an asset is expected to be available for use by an authority.
value in use of a cash-generating asset	The present value of the future cash flows expected to be derived from an asset.
value in use of a non-cash generating asset	The present value of the asset's remaining service potential. This is assumed to be at least equal to the cost of replacing that service potential.
VAT	An indirect tax levied on most business transactions and on many goods and some services.
vested employee benefits	Employee benefits, the rights to which are, not conditional on future employment.

ABBREVIATIONS

AVC	Additional Voluntary Contribution
BEIS	Department for Business, Energy & Industrial Strategy
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CFO	Chief Finance Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIFPA	The Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
DBEIS	Department for Business, Energy & Industrial Strategy
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Foods and Rural Affairs
DHSC	Department of Health and Social Care
DLUHC	Department for Levelling Up Housing and Communities
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
DWP	Department of Work and Pensions
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EUV	Existing Use Value
FRICS	Fellow of Royal Institution of Chartered Surveyors
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IB-DRC	Instant Build Depreciated Replacement Cost
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LCTS	Local Council Tax Support
LGA 2003	Local Government Act 2003
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MMI	Municipal Mutual Insurance
MRICS	Member of the Royal Institution of Chartered Surveyors
MRP	Minimum Revenue Provision
NBV	Net Book Value
NDR (NDR)	National Non-Domestic Rates (Business Rates)
NHS	National Health Service

7: GLOSSARY

NHSBSA NHS Business Services Authority
OCI Other Comprehensive Income
OEIC Open Ended Investment Company
PFI Private Finance Initiative
PPE Property, Plant and Equipment
PPP Public Private Partnership
PWLB Public Works Loan Board
REFCUS Revenue Expenditure Funded from Capital under Statute
RFO Responsible Finance Officer
RICS Royal Institution of Chartered Surveyors
RPA Rural Payments Agency
RPI Retail Prices Index
RSG Revenue Support Grant
RSL Registered Social Landlord
RTB Right to Buy
SeRCOP Service Reporting Code of Practice
SI Statutory Instrument
SIP Statement of Investment Principles
SOLACE The Society of Local Authority Chief Executives and Senior Managers
SPPI Solely payments of principal and interest
TMPs Treasury Management Practices
UEL Useful Economic Life
VAT Value Added Tax
VOA Valuation Office Agency