COPELAND BOROUGH COUNCIL

Statement of Accounts

Year Ending 31 March 2023

Unaudited

Copeland Borough Council

Statement of Accounts 2022/23

Contents

Section 3: Notes to the Financial Statements (continued)

Section 4: Collection Fund

Section 5: Group Accounts

Section 7: Other Statements

Narrative Report

1. Introduction

1.1 The Statement of Accounts summarises Copeland Borough Council's financial performance, financial position and cash flows for the financial year from 1 April 2022 to 31 March 2023.

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

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

2. About the Council and the Borough

Local Government Reorganisation

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

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

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

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

The area of Copeland

2.5 The Borough of Copeland was one of six district areas that make up Cumbria; the third largest county in the UK by area, yet one of the most sparsely populated.

2.6 Copeland is an area of extreme contrasts; it contains England's highest mountain (Scafell Pike) and its deepest lake (Wastwater). Two-thirds of the borough's 285 square miles sit in the Lake District National Park, a UNESCO World Heritage Site.

2.7 Complementing the Lake District's outstanding beauty, Copeland hosts 80 kilometres of coastline, which, at St Bees Head, incorporates the only section of Heritage Coast in North West England.

2.8 The borough has four main population centres - Whitehaven, Egremont, Cleator Moor and Millom. Of Copeland's 68,424 residents, 35.3% live in urban areas while 64.7% live in rural areas. In terms of population, Copeland has a lower proportion of those aged under 64, compared to the national average.

2.9 In March 2023, Copeland had 35,000 jobs in the local economy, the majority of which (55%) were supported by Sellafield Ltd and it's supply chain. The sector with the highest proportion of enterprises in Copeland is Agriculture, forestry & fishing (19.7%), followed by professional, scientific and technical (18.3%), and construction (9.9%). In 2022, the top three occupational types for employment were:

- Professional occupations (24.7%)
- Elementary occupations (21.4%)
- Associated professional and technical occupations (13.8%).

2.10 The overall life expectancy at birth in Copeland is 78.2 years for men and 81.7 years for women; both significantly lower than the national average.

2.11 The overall level of unemployment (Claimant Count) is below the national average (Copeland: 2.4%, GB:3.7%). Unemployment among young adults (aged 18-24) was slightly lower than the national average (Copeland: 4.8%, GB : 4.7%).

Members & Workforce

2.12 During 2022-23 the Council had 33 elected Members and in March 2023 there were 301 staff (officers).

2.13 The Council's constitution set out how the Council operated its business and its decision-making processes. In discharging their duties both elected members and officers followed a Code of Conduct to ensure ethical standards are upheld and increase public confidence in the integrity of their local members.

2.14 The Council had a Mayoral and Executive style decision-making structure. The Council had one main Overview and Scrutiny Committee consisting of 11 councillors, which met regularly to consider performance and portfolio reports. A number of other committees dealt with specific areas of council business including Planning, Licensing, Audit & Governance and Personnel Panel.

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

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

Annual Governance Statement

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

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

3. The Council's Key achievements and performance

Corporate Strategy

3.1 The Corporate Strategy 2020-2024 set out the mission for Copeland to 'make Copeland a better place to live, work and visit' and the vision for the Council being "a commercially focused organisation with a national reputation for high quality services". The Strategy identified three ambitions that the Council worked towards achieving along with two enabling factors that will facilitate delivery of the ambitions.

Corporate Ambitions

1. Community – Let's ensure our communities can thrive
2. Economy – Let's maximise our opportunities for growth
3. Environment – Let's protect and enhance our environment

Enabling Factors

1. Business – Let's be modern and progressive organisation with a business culture
2. Partnerships – Let's work collaboratively to maximise effect

Further details of these are given in the following table:

Table 1: Corporate Strategy 2020-2024: Corporate Ambitions and Enabling Factors

Ambition	Focus
1.Community - Let's ensure our communities can thrive	• Enabling residents to have equal access to opportunities, services and the support they require to participate fully in society and thrive throughout their lives. • Building on the experience, skills and knowledge learned during the Covid 19 pandemic to ensure our communities are truly inclusive and resilient. • Working with partners to drive social mobility by supporting the development of first-class health and education services in Copeland, including work and skills programmes and local apprenticeship schemes. • Working in partnership through our Social Inclusion Programme to improve outcomes for those disadvantaged by social, financial and digital exclusion, debt, food and fuel poverty, mental health issues, domestic abuse, limited social and family support, and drug and alcohol abuse. • Supporting residents to develop and maintain more active lifestyles and make the most of our beautiful open spaces for exercise and recreation as a key building block for improving health and wellbeing and avoiding poor health in the future. • Building on success and strong leadership in the reduction of homelessness and empty homes through established partnership working. • Acknowledging and supporting the important role that voluntary organisations have in our communities. • Encouraging and enabling small, local groups to support their communities and build on the volunteer base successfully developed during the Covid 19 pandemic.

Ambition	Focus
2. Economy -– Let's maximise our opportunities for growth	• Lobbying for improvement in digital connectivity, which was shown to be so crucial during the pandemic for operating businesses and maintaining council services. • Developing a Nuclear Prospectus for West Cumbria, promoting West Cumbria as the Centre of Nuclear Excellence, seeking national recognition of the assets and skills that are unique to this area and the required investment to generate wealth and prosperity. • Working in partnership to maximise funding streams and economic opportunities. • Developing tourism, leisure and the arts in Copeland as key contributors to the economy. • Working collaboratively and through strong leadership to deliver efficient public services, capitalising on the skills, capability and professionalism of our workforce. • Attracting business and investment to keep our talented young people in Copeland. • Taking a leadership role in the development of the Industrial Solutions Hub, making Copeland a prime location for business and enterprise. • Working together to secure public and private investment into our town centres, reinventing our high streets to deliver new opportunities capitalising on the experience economy. • Ensuring that we are in a position to take advantage of all opportunities and challenges presented as the UK leaves the European Union. • Encouraging residents to 'shop local' and support Copeland traders and businesses. • Working in partnership with industry, supply chain and community groups on the Reboot programme.
3. Environment - Let's protect and enhance our environment	• Promoting our Climate and Environment policy and action plan, which sets out our ambitions and responsibilities as leaders in the community, to help our residents, businesses and visitors to adopt sustainable ways to live, work and visit Copeland. • Protecting and promoting our stunning, renowned environment and our rich heritage. • Initiating woodland creation and encouraging our communities to care for their environment. • Developing all our towns and villages as healthy places to live, work and visit. • Embracing digital technology to minimise travel, thus reducing our carbon footprint. • Continuing to increase recycling rates and reduce waste sent to landfill. • Creation and maintenance of cycle ways and recreational routes along the Lake District Coast and the England Coastal Path. • Encourage 'greener' travel to work – walking, cycling, car sharing and using public transport where possible. • Working with partners on flood management and prevention measures. • Promoting affordable warmth and energy efficiency schemes, which not only benefit the environment but help address fuel poverty through reduced energy consumption.

Enabling Factor	Focus
1. Business – Let's be modern and progressive organisation with a business culture	• The financial sustainability of the Council. • Digital accessibility and quality of our services. • Workforce development and welfare. • IT investment to support agile working whilst ensuring our cyber security.
2. Partnerships – Let's work collaboratively to maximise effect	• Supporting delivery partners, voluntary sector and grass-roots organisations through our Social Inclusion Programme. • Exploring options to work with other authorities to maintain and operate lean, efficient public services. • Working with our MP to influence government decisions. • Utilising key partnerships to grow economic, environmental and social benefits for the borough.

3.2 Following initial approval of the 2020-24 Corporate Strategy in December 2019 an updated strategy, reflecting the impact of the Covid-19 pandemic was approved by Council in December 2020. A suite of Key Performance Indicators (KPIs) was used to periodically monitor progress and performance against the Corporate Strategy. Update reports were received by both the Overview and Scrutiny Committee and the Executive and can be accessed on the Council's website.

Progress and Performance against the Corporate Strategy

3.3 The Corporate Strategy Delivery Plan and KPIs were reviewed annually in consultation with the Leadership and Management Group and Corporate Leadership Team to ensure that they were appropriate and relevant.

3.4 There were 13 Key Deliverables set in the Corporate Strategy Delivery Plan for 2022-23 of which 12 were achieved in full (100%) by the end of the fourth Quarter.

3.5 The remaining key deliverable was not met due to an unsuccessful tender process.

2022-23 Corporate Strategy Key Deliverables - % Progress at end of Q4

Code	Title	Status	Progress
KD 1	Domestic Abuse crisis support and intervention project	Completed	100%
KD 2	Changing Futures Programme	Completed	100%
KD 3	Social Prescribing Project	Completed	100%
KD 4	Social Inclusion Programme	Completed	100%
KD 5	Copeland Works and Skills Partnership	Completed	100%
KD 6	Beacon Delivery Plan	Completed	100%
KD 7	Towns Deals and Levelling Up Fund	Completed	100%
KD 8	Coastal Programme Tourism Programme & Enterprise Development Programme	Completed	100%
KD 9	Leconfield Industrial Estate	Completed	100%
KD 10	Distington Hall Improvement Programme	Delayed	50%
KD 11	Climate Change Action Plan	Completed	100%
KD 12	Environmental Quality Strategy	Completed	100%
KD 13	Fleet Replacement Project	Completed	100%

Key Achievements and Deliverables

3.6 During 2022-23 key deliverables achieved included:

Community

- Continuing to provide crisis support and intervention to people affected by domestic abuse and building on relationships and a holistic approach with our partners and other public authorities. Funding secured to continue externally funded post with all domestic abuse roles now included in the core structure moving into new Authority.
- Through the Social Investment Programme, we supported local organisations concerned with health and wellbeing, holding a Health and Welling Festival in August 2022 that was successful in attracting over 700 people. A Social Prescribing app 'Joy' was launched and the team delivered Winter Wellness Hubs re cost-of-living crisis.
- Providing support to Copeland residents to develop skills and access work opportunities through the Copeland Work and Skills Partnership

Economy

- Reimagine the Beacon – a cultural strategy was developed with Allerdale BC. The Sellafield Experience was redeveloped and refreshed. 25 volunteers were recruited to a variety of roles as part of the Engagement Programme and promotion of the volunteer sector. STEAM (science, technology, engineering arts and maths) Learning, Education and Development Ambassadors were integrated with the delivery model to enhance the museum experience.
- Town Deal funding circa £70m secured in November 2022 for Millom and Cleator Moor. UK Shared Prosperity Fund grant, secured in December 2022 to support improvements to the public realm in Egremont and combined with Town Deal funding, the start of developments to re-use empty buildings in the area.

Environment

- Playing our part as a responsible authority, by implementing our Climate and Environmental Programme. Reducing emissions and harm to the environment and supporting the transition towards a zero-carbon Copeland.
- Enhancing and protecting our environment through renewal and replacement of our fleet, demonstrating value for money and quality service delivery.

Key Performance Indicators (KPIs)

3.7 A total of 24 KPIs were monitored against the Corporate Strategy ambitions in 2022-23. Twenty-one have quarterly targets, one (KPI 2) has an annual target, two (KPIs 7 and 19) have no set target. Of the twenty KPI's with quarterly targets and available outturn data , twenty (95%) met their annual target.

Key Performance Indicators (KPI) monitored in 2022-23

Key Performance Indicators	Target Achieved?	Compared to 2021/22
KPI 1 % Council Tax collected	✓	↓
KPI 2 Number empty homes brought back into use	Not available	Not available
KPI 3 Number of new homes approved	✓	↓
KPI 4 Number of new homes built	✓	↓
KPI 5 Number of affordable homes built	✓	↑
KPI 6 Number of larger family and aspirational homes built	✓	↓
KPI 7 External funding for Economic Development Secured (£)	No Target	↑
KPI 8 % Non-domestic Rates Collected	✓	↓
KPI 9 Number of people supported with employability and skills	✓	↓
KPI 10 Speed of processing - new HB claims	✓	↑
KPI 11 Speed of processing - new CTR claims	⬣	–
KPI 12 Speed of processing - changes of circumstances for HB claims	✓	↓
KPI 13 Speed of processing - change of circumstances for CTR claims	✓	↑
KPI 14 % Homeless relief cases resolved in statutory timeframe	✓	↓
KPI 15 Domestic Abuse Project – feedback and satisfaction	✓	↓
KPI 16 % complaints resolved at stage one	✓	↑
KPI 17 % Freedom of information requests resolved within timescale	✓	–
KPI 18 % Household waste sent for reuse, recycling and composting	✓	↑
KPI 19 Residual Waste collected per household (kgs)	No Target	N/A
KPI 20 % Council tax collected using Direct Debit payment method	✓	↑
KPI 21 % 'major' planning applications determined within 13 weeks	✓	–
KPI 22 % 'minor' planning applications determined within 8 weeks	✓	↓
KPI 23 % 'other' applications determined within 8 weeks	✓	–
KPI 24 % planning appeals dismissed	✓	↓

4. Risk Management

4.1 Throughout 2022-23 the Council had in place a Risk Management Policy This included a risk appetite statement agreed by the Corporate Leadership Team. This policy was last refreshed in March 2018, with a review of the policy scheduled to take place on a biennial basis unless significant changes at a local or national level occur between planned review dates.

4.2 Risk registers were used to assess identify, assess, manage and monitor risks. The following risk registers are used in the Council

- Strategic Risk register
- Operational Risk register
- Projects Risks
- Partnership Risks
- Health and Safety Risks.

4.3 The Zurich Risk Assessment Matrix was used across the Council to quantify identified risks by reference to the likelihood of the risk crystallising and the associated impact on the Council.

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

Strategic and Operational Risk Management.

4.4 The Strategic Risk Register (SRR) was a central register of all the risks that may have prevented the Council meeting its long-term strategic objectives, it was owned and managed by the Corporate Leadership Team and each risk had a named owner.

4.5 Strategic Risks were identified by the Corporate Leadership Team and were added to by horizon scanning or the escalation of risks from the Operational Risk Register. The Corporate Leadership Team reviewed all strategic and high-level operation risks on a quarterly basis and reported to the Audit Committee on risk managements activities.

4.6 The Strategic risk register contained the following details for each risk:

- Risk Contributing Factors
- Risk Triggers
- Risk impacts/Consequences
- Current Internal Controls
- Required internal controls/actions
- Risk Scores - current and target.

4.7 The Operational Risk Register (ORR) was a central register of service level risks produced as part of the annual service plan. The Council's operational risks were owned, managed and updated by Service Managers. Operational risks were identified through various channels including annual service planning activities, team meetings, process improvements and staff appraisals.

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

4.9 Principal risks on the strategic risks register during 2022-23 were:

Status	Risk Code & Title	Impact	Likeli-hood	Score
	SR1.1 Financial Stability - Failure to achieve financial stability	4	5	20
	SR2.3 Strategy Delivery - Inability to influence investment and reinvigorate our Town Centres	3	5	15
	SR4.4 ICT and Cyber Security – Risk of failure of ICT systems due to failing end of life or end of support infrastructure or key Council ICT applications	4	6	24
	SR9 Climate Action Plan – Insufficient progression meeting our objective of becoming a truly sustainable, low-carbon Council	3	5	15
	SR1.3 Financial Stability – Negative external audit opinion of the financial statements and value for money conclusion	2	5	10
	SR1.4 Financial Stability – Failure to meet financial targets through commercial activity and or cost savings	4	3	12
	SR1.5 Financial Stability – Inadequate contract management	3	3	9
	SR2.2 Strategy Delivery – Inability to maximise opportunities for growth and diversification of Copeland economy	3	4	12
	SR2.4 Strategy Delivery – Inability of the Council to represent the community in nuclear and energy related projects	3	3	9
	SR2.5 Strategy Delivery – Inability for Copeland economy to fulfil its potential relating to Sellafield Transformation or delays in key nuclear missions including Moorside	3	3	9
	SR4.2 ICT and Cyber Security – Risk of major internal and/or external disruption/loss to all Council services in the event of an incident that rely on Council IT systems. Additional risk of major information breach and potential large fine from ICO	4	3	12
	SR4.3 ICT and Cyber Security – Risk of inability to deliver core business including critical/statutory services. May be limited to one Council area or if shared system could affect all Council systems	4	2	8
	SR5 Corporate Governance & Information Security - Inability to ensure effective information governance or data security	3	3	9

Status	Risk Code & Title	Impact	Likeli-hood	Score
	SR6 Covid Response - Risk of disruption to strategic and statutory or core activity as a result of Covid 19 response and regulations	3	3	9
	SR7 Local Government Reorganisation – Risk of Council not being prepared for the changes and representing the community in Local Government Reorganisation	3	3	9
	SR8 Partnerships – Failure to ensure partnership working to deliver the Corporate Priorities both within and outside the Council	3	3	9
	SR1.2 Financial Stability – Loss of Business Rates income	3	2	6
	SR2.1 Strategy Delivery – Inability to prioritise the most vulnerable and ensure that all residents to have equal access to opportunities, services and support	3	2	6
	SR3 Corporate Business Continuity – Inability to deliver core services and corporate business functions	2	3	6
	SR4.1 ICT and Cyber Security – Risk of major internal and/or external disruption/loss to all Council services in the event of an incident that rely on the on-premises ICT systems	4	1	4
	SR10 EU Withdrawal – Inability to prepare for legislative and market changes following Britain's withdrawal from the EU	1	2	2

5. Financial Resources Overview

5.1 The Council's 2022-23 Revenue Budget, 2022-2026 Capital budget, and 2022-2025 Medium Term Financial Strategy (MTFS) were approved by Full Council on 8 February 2022.

Economic climate

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

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

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

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

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

5.6 The 2021 Spending Review included announcement of an estimated increase in core spending power for local authorities - the amount of money local authorities have to spend from government grants, council tax, and business rates - of 3% in real-terms each year over the spending review period, alongside a series of other announcements relevant to local government. These were summarised in the 2022-23 Revenue and Capital Budget report considered by Full Council on 8 February 2022.

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

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

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

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

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

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

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

Medium Term Financial Strategy

5.12 The 2022-23 revenue budget was set within the context of the Council's Medium Term Financial Strategy (MTFS). The MTFS provided the funding framework within which the Council sort to achieve the priorities set out in the Corporate Strategy and highlighted the key financial risks facing the Council.

2022-23 Revenue Budget

5.13 Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure is met from the following sources:

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

5.14 The Council's net revenue budget was set at £11,356k and was funded as follows:

Sources of Finance	Budget £'000
Revenue Support Grant	41
Business Rates	4,910
Other Grants	338
New Homes Bonus Grant	218
Council Tax excl. parish precept	4,557
Council Tax: Collection Fund Surplus	101
	10,165
Council Tax – parish precept	1,191
	11,356

5.15 The amount of Revenue Support Grant provided to the Council through the 2022-23 Local Government Finance Settlement was £41k (2021-22: £40k). Other general grants received in 2022-23 included, New Homes Bonis (£218k) Rural Services Delivery (51k), Lower Tier Services (115k) and Services Grant (174k). The Council's share of Council tax was increased by 1.95% across all council tax valuation bands.

5.16 The 2022-23 revenue budget was predicated on the basis that the Council would receive exceptional financial support (capitalisation direction) of £1.5m in 2022-23. This follows a similar level of support received in 2021-22. The capitalisation direction allows revenue costs to be treated as capital expenditure and financed from capital resources (including borrowing).

2022-23 Capital Budget

5.17 The original capital budget for 2022-23 was £20.965m. The revised capital budget (based on budget information reported at Q4 2022-23), excluding grant funded Accountable Body schemes of £1.742m, accounted for on an agency basis, was £16.192m. The outturn expenditure for 2022-23 was £8.790m. This includes revenue costs of £1.5m treated as capital by virtue of a capitalisation direction. Funding for the programme comprised capital receipts (£360k), borrowing (£4,703k), grants and contributions (£3,675k) and revenue (£52k).

2022-23 capital outturn compared to budget

	Budget £'000	Outturn £'000	Variance £'000
Capital Expenditure	14,692	7,290	(7,402)
Exceptional Financial Support	1,500	1,500	0
	16,192	**8,790**	**(7,402)**
Financed by			
Capital Grants and Contributions	(10,800)	(3,675)	7,125
Capital Receipts	(751)	(360)	391
General Fund Balances (inc. Earmarked Reserves)	0	(52)	(52)
Borrowing	(4,641)	(4,703)	(62)
Total Financing	**(16,192)**	**(8,790)**	**7,402**

5.18 Significant projects within the 2022-23 revised capital budget included:

- £1,500k - Capitalisation Direction (Exceptional Financial Support) 2022-23
- £3,141k - New Vehicles and Equipment
- £1,588k - Coastal Programme (Phase 1&2)
- £1,091k - Leconfield and ISH Development
- £403k - Distington Hall Crematorium works
- £811k - Disabled Facilities Grants (mandatory and discretionary)
- £1,341k - Millom Town Deal Projects
- £6,065k - Cleator Moor Town Deal Projects.

5.19 Key elements of the reported capital underspend included:

- £5,584k - Cleator Moor Town Deal Projects.
- £1,318k - Coastal Programme (Phase 1&2)
- £635k - Millom Town Deal Projects.

6. Financial Performance

Financial Management: Revenue expenditure compared to budget

6.1 The table below shows the actual expenditure for 2022-23 compared to the Council's budget and how that expenditure was financed; this excludes transfers to and from reserves.

	Budget £'000	Actual £'000	Variance £'000
Service Area			
Corporate Services	3,767	2,859	(908)
Customer and Community Services	679	673	(6)
Democracy	483	421	(62)
Housing and Environmental Health	1,728	2589	861
Planning and Economic Development	1,318	734	(584)
Property and Estates	363	438	75
Refuse and Recycling	2,982	3,077	95
Revenues and Benefits	896	663	(233)
All Other	112	(370)	(482)
Net Budget Requirement	**12,328**	**11,084**	**(1,244)**
Sources of Finance	**(10,165)**	**(12,891)**	**(2,726)**
Net Charge/(credit) to General Fund	**2,163**	**(1,807)**	**(3,970)**

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

6.3 A summary of the service areas aggregated within the individual line items of the segmental structure used in the Comprehensive Income and Expenditure Statement and Expenditure and Funding analysis is set out below.

Segment	Services
Corporate Services	Business Support/ICT. Chief Executive. Communications. Financial Services. Human Resources. Internal Audit. Legal & Procurement Services
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Development Control. Economic Development. Strategic Planning.
Property and Estates	Property and Estates
Refuse and Recycling	Refuse and Recycling
Revenues and Benefits	Revenues and Benefits
All Other	Licensing. Nuclear.

6.4 The table above shows a net surplus on the provision of services during the year of £1,807k. Key variances underpinning the net underspend of £3.970m comprise:

- £1.244m favourable variance on services including a £655k favourable variance on treasury management activity alongside favourable variances relating to the Beacon (£106k); elections (£130k) and Nuclear (£112k)
- £2.726m favourable variance in respect of funding (taxation and unringfenced grants). This total includes £2.214m NNDR safety net income received from the Cumbria Business Rates Pool along with New Burdens funding and other grants of £228k.

6.5 The outturn position resulted in net transfers to earmarked reserves of £1,810k. Unearmarked General Fund balances (General Reserve) meanwhile reduced by £3k to £2,192k. This is summarised in the table below:

Summary of movements in General Fund balances

	Budget £'000	Actual £'000	Variance £'000
Impact on the General Fund			
(Surplus) or Deficit on Provision of Services	2,163	(1,807)	(3,970)
Met from:			
Transfers to / (from) earmarked reserves	(2,163)	1,810	3,973
Transfer to/(from) General Fund	0	(3)	(3)
Total contributions to / (from) balances	**0**	**0**	**0**

7. Financial position at the Balance Sheet date

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

	31 March 2022 £'000	31 March 2023 £'000	Year on Year Change £'000
Long Term Assets	35,587	40,782	5,195
Current Assets	42,883	34,581	(8,302)
Current Liabilities	(19,843)	(20,307)	(464)
Long Term Liabilities	(30,096)	(5,940)	24,156
Net Assets	**28,531**	**49,116**	**20,585**
Usable Reserves	(20,988)	(22,188)	1,200
Unusable Reserves	(7,543)	(26,928)	19,385
Total Reserves	**(28,531)**	**(49,116)**	**(20,585)**

Significant balance sheet movements during 2022-23

7.2 During 2022-23:

- the carrying value of non-current assets, including Property Plant (PPE) and investment property increased by £5.195m. The key items underpinning this increase are:
    - an increase in the carrying value of PPE of £5.833m reflecting additions of £5,870k and revaluation gains of £1,566k less depreciation of £1,575k and disposal adjustments of £28k
    - a £563k decrease in the carrying value of investment property as a result of revaluation losses recognised in the year.
- Net current assets decreased by £8,766k; The key items underpinning this decrease were:
    - a £4,950k increase in short term investments
    - a £16,593k decrease in cash and cash equivalents (net of bank overdrafts)
    - an increase in short term debtors of £3,768k underpinned by movements in agency balances related to the Collection Fund and VAT recoverable from HMRC
    - an increase in short term creditors, contract and other liabilities of £1,122k reflecting an increase in capital grants received in advance offset by a reduction in agency balances related to the Collection Fund and grants accounted for on an agency basis.
    - a decrease in the NNDR appeals provision of £208k.
- Long-term liabilities decreased by £24.156m reflecting a reduction in the net defined benefit pensions liability of £24.031m (see note 31 to the accounts) and a reduction in the non-current component of finance lease liabilities of £125k.
- Usable Reserves increased by £1,200k, reflecting an increase in earmarked reserves of £1,810k, less a reduction in unearmarked General Fund balances of £3k and decreases in the Capital Receipts Reserve of and Capital Grants Unapplied balances of 326k and £281k respectively (see note 16).
- Unusable reserves increased by £19,385k underpinned by:
    - an increase of £24,031k in the Pension Reserve balance mirroring the reduction in net defined benefit pension liability
    - an increase in the Revaluation Reserve balance of £1,069k following the revaluation of Property Plant and Equipment assets at 31 March 2023, offset in part by
    - a £5,571k reduction in the Collection Fund Adjustment account. (see note 17).

Valuation of non-current assets:

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

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

7.4 In both 2021-22 and 2022-23 an almost a full revaluation of the Council's property portfolio was undertaken.

7.5 The 2022-23 revaluation exercise resulted in the recognition of net revaluation gains of £1,566k comprising gains of £1,563k credited to the revaluation reserve and gains of £3k credited to the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

7.6 Investment Property and Assets Held for Sale are revalued annually. During 2022-23 the fair value of the Council's investment properties decreased by £563k.

Defined Benefit Pensions Liability:

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

7.8 At 31 March 2023, the Council'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 £5.493m (i.e. a net pension asset). This compares with a net pension liability at 31 March 2022 of £24.712m.

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

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

7.11 Underpinning the £30.205m movement in the net pension liability/asset (excluding the impact of the asset ceiling adjustment of £6.174m) during 2022-23 is:

- a decrease in the benefit obligation of £35.357m including:
  - interest and service costs of £6.544m
  - contributions by scheme participants of £0.544m
  - experience losses of £8.203m, less
  - actuarial gains associated with changes to financial and demographic assumptions of assumptions of £46.845m and.
  - benefits paid of £3.803m.
- a decrease in the carrying value of the Council's share of scheme assets of £5.152m including:
  - an increase of £4.794m relating to interest on plan assets of £2.603m and contributions (employer and employee) of £2.371m, less
  - re-measurement losses, reflecting the difference between the actual investment return on plan assets and the interest rate used to calculate the net interest cost included in the CIES of £6.257m
  - benefits paid out and administration costs of £3.869m.

Short and Long-term Borrowing

7.12 At 31 March 2023, the Council's external borrowing stood at £5m (31 March 2022: £5m). This related to a Lender Option Borrower Option (LOBO) loan. No new borrowing was undertaken during 2022-2023.

Revenue Reserves

7.13 At 31 March 2023, un-earmarked general fund reserves stood at £2,192k (31 March 2022: £2,195k) and earmarked revenue reserves at £14,958k (31 March 2022: £13,148k). Earmarked reserves include amounts set aside:

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

7.14 At 31 March 2023 significant earmarked reserve balances, accounting for £11,445k of the total balance of £14,958k included:

- £586k - Property Reserve.
- £4,463k - External Resources Shortfall Reserve to meet the cost of changes in external funding for example from Business rates income fluctuations.
- £854k - Budget Pressures to mitigate again unexpected financial pressures such as Covid.
- £710k - Housing.
- £949k - Repair and Maintenance.
- £335k - Economic Growth - Nuclear activities.
- £452k - Economic Growth – Business Development.
- £1,297k - Industrial Solutions Hub Project.
- £700k - Information Technology Investments.
- £567k - Beacon Museum
- £532k -Crematorium reserve.

8. Cash flows

8.1 During 2022-23 the net decrease in cash and cash equivalents (i.e. short-term highly liquid investments with maturities at the date of acquisition of three months or less) was £16,593k.

	2021/22 £000	2022/23 £000
Net Cash Flows from Operating Activities	(2,814)	510
Net Cash Flows from Investing Activities	(835)	(1,930)
Net Cash Flows from Financing Activities	4,133	(15,173)
Net increase / (decrease) in Cash & Cash Equivalents	**484**	**(16,593)**

8.2 The net cash inflow from operating activities totalled £510k, compared to a £2,814k net outflow in 2021-22. The net cash outflow during 2022-23 reflects the net deficit on the provision of services of £7,189k adjusted for non cash transactions included in the net surplus on the provision of services £9,998k) and items related to investing and financing activities account included in the surplus on the provision of services (£2,299k).

8.3 The net cash outflow from investing activities was £1,930k (2021-22: £835k). This includes cash inflows related to capital grants received (£9,577k) and proceeds from the repayment of short-term investments (£14,970k), less cash outflows associated with the purchase of property plant and equipment (£6,492k) and the acquisition of short-term investments (£20,000k).

8.4 The net cash outflow from financing activities totalled £15,173k, compared to net cash inflow of £4,133k in 2021-22. The year-on-year change of (£19,306k) is due largely attributable to:

- a net cash outflow of £8,739k (2021-22: £1,801k inflow) relating to 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 £4,678k (2021-22: £3,799k inflow) relating to the balance of funding received in advance, in respect of Council Tax Rebate & Energy Support Funding and various business support schemes implemented by central government in response to the Covid-19 pandemic and administered by the Council.

9. The Financial Statements

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

9.2 The Statement of Responsibilities for the Statement of Accounts sets out the responsibilities of the Council (Cumberland Council as successor body to Copeland Borough Council) and Authority's Chief Financial Officer in relation to the Statement of Accounts.

9.3 Financial Statements, consists of:

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

Comprehensive Income and Expenditure Statement

9.4 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

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

Balance Sheet

9.6 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

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

(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

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

Collection Fund

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

Group Accounts

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

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

- Subsidiaries – Industrial Solutions Hub (ISH) Limited.

Further details can be found in note G98 to the Group Accounts.

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

Glossary

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

[1] The Council's Responsibilities

The Council is required to:

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

[2] The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

[3] Status of the 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 and its income and expenditure for the year ended 31 March 2023.

Catherine Bell FCCA — Dated: 27 February 2025
Chief Financial Officer (Section 151 Officer)
Cumberland Council (as successor to Copeland Borough Council)

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Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services, arrived at using generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22					2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,788	(2,771)	5,017	Corporate Services		5,656	(973)	4,683
3,490	(2,260)	1,230	Customer and Community Services		4,404	(2,443)	1,961
657	(180)	477	Democracy		477	(25)	452
3,228	(2,110)	1,118	Housing and Environmental Health		4,600	(1,775)	2.825
2,689	(1,266)	1,423	Planning and Economic Development		3,049	(1,750)	1,299
1,120	(556)	564	Property and Estates		909	(100)	809
4,438	(1,726)	2,712	Refuse and Recycling		5,215	(1,805)	3,410
13,439	(12,744)	695	Revenues and Benefits		13,035	(12,246)	789
927	(1,912)	(985)	All Other		1,352	(1,714)	(362)
37,776	**(25,525)**	**12,251**	**Net Cost of Services**		**38,697**	**(22,831)**	**15,866**
1,191	0	1,191	Other Operating Income and Expenditure	8	1,258	(2)	1,256
1,434	(119)	1,315	Financing and Investment Income and Expenditure	9	1,658	(1,041)	617
0	(12,780)	(12,780)	Taxation and Non-Specific Grant Income	10	0	(10,550)	(10,550)
40,401	**(38,424)**	**1,977**	**(Surplus) or Deficit on Provisions of Services**		**41,613**	**(34,424)**	**7,189**
		(1,139)	(Surplus)/Deficit on revaluation of non-current assets	18			(1,563)
		(7,723)	Re-measurement of the net defined benefit liability/(asset)	31			(26,211)
		(8,862)	**Other Comprehensive Income & Expenditure**				**(27,774)**
		(6,885)	**Total Comprehensive Income & Expenditure**				**(20,585)**

Movement in Reserves Statement

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

	Note	Revenue General Fund Balance £'000	Capital		Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
			Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			
Balance at 1 April 2021 (As restated)		**(16,068)**	**(3,460)**	**(3,859)**	**(23,387)**	**1,741**	**(21,646)**
Movement in reserves during 2021-22							
Surplus or (deficit) on the Provision of Services		1,977	0	0	**1,977**	0	**1,977**
Other Comprehensive Income and Expenditure		0	0	0	**0**	(8,862)	**(8,862)**
Total Comprehensive Income and Expenditure		**1,977**	**0**	**0**	**1,977**	**(8,862**	**(6,885)**
Adjustments between accounting basis and funding basis under regulations	15	(1,252)	698	976	**422**	(422)	0
Increase or Decrease in 2021-22		**725**	**698**	**976**	**2,399**	**(9,284)**	**(6,885)**
Balance at 1 April 2022		**(15,343)**	**(2,762)**	**(2,883)**	**(20,988)**	**(7,543)**	**(28,531)**
Movement in reserves during 2022-23							
Surplus or (deficit) on the Provision of Services		7,189	0	0	**7,189**	0	**7,189**
Other Comprehensive Income and Expenditure		0	0	0	**0**	(27,774)	**(27,774)**
Total Comprehensive Income and Expenditure		**7,189**	**0**	**0**	**7,189**	**(27,774)**	**(20,585)**
Adjustments between accounting basis and funding basis under regulations	15	(8,996)	326	281	**(8,389)**	**8,389**	0
Increase or Decrease in 2022-23		**(1,807)**	**326**	**281**	**(1,200)**	**(19,385)**	**(20,585)**
Balance at 31 March 2023		**(17,150)**	**(2,436)**	**(2,602)**	**(22,188)**	**(26,928)**	**(49,116)**

The General Fund balance at 31 March 2023 comprises earmarked reserves of £14,958k (31 March 2022: £13,148k) and unearmarked balances of £2,192k (31 March 2022: £2,195k).

Balance Sheet

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

31 March 2022 £'000		Note	31 March 2023 £'000
21,558	Property, Plant & Equipment	18	27,391
2,328	Heritage Assets	19	2,328
11,382	Investment Property	20	10,819
313	Intangible Assets	21	239
6	Long Term Debtors	24	5
35,587	**Long Term (Non-Current) Assets**		**40,782**
15,206	Short Term Investments	23	20,156
0	Assets Held for Sale		0
91	Inventories		114
9,567	Short Term Debtors	24	13,335
18,019	Cash and Cash Equivalents	26	976
42,883	**Current Assets**		**34,581**
(450)	Bank Overdraft	26	0
(15,431)	Short Term Creditors	27	(8,587)
(3,056)	Contract and Other liabilities	28	(11,022)
(61)	Short Term Borrowing	29	(61)
(845)	Provisions	30	(637)
(19,843)	**Current Liabilities**		**(20,307)**
(5,000)	Long Term Borrowing	29	(5,000)
(24,712)	Net Pensions Liability	31	(681)
(384)	Other Long-Term Liabilities	32	(259)
(30,096)	**Long Term Liabilities**		**(5,940)**
28,531	**Net Assets**		**49,116**
(20,988)	Usable Reserves	16	(22,188)
(7,543)	Unusable Reserves	17	(26,928)
(28,531)	**Total Reserves**		**(49,116)**

Cash Flow Statement

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

2021/22 £'000		Note	2022/23 £'000
(1,977)	**Net surplus or (deficit) on the provision of services**		**(7,189)**
273	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	9,998
(1,110)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(2,299)
(2,814)	**Net cash flows from operating activities**		**510**
(835)	Investing Activities	36	(1,930)
4,133	Financing activities	37	(15,173)
484	**Net increase or (decrease) in cash and cash equivalents**		**(16,593)**
17,085	Cash and cash equivalents at the beginning of the reporting period		17,569
17,569	**Cash and cash equivalents at the end of the reporting period**		**976**

1. Statement of Accounting Policies – Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The Accounts and Audit (England) Regulations 2015 (as amended) require the Council to prepare for each financial year, a statement of accounts in accordance with proper practices. Under section 21(2) of the Local Government Act 2003, these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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

Group Accounts - basis of consolidation

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

2. Changes to Accounting Policies & Prior Period Adjustments

2.1 New or amended accounting standards adopted in 2022-23

The 2022-23 Code of Practice on Local Authority Accounting (the Code) adopts the requirements of the following new or amended standards, effective for the first time to annual periods beginning on or after 1 April 2022:

Narrow Scope Amendments to IFRS:

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

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

Annual Improvements to IFRS 2018 - 2020

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

IFRS 1 - First-time adoption

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

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

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

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

IFRS 9 - Financial Instruments

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

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

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

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

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

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

IAS 41 - Agriculture

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS 37 (as adapted by the Code) defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits (or service potential) expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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

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

Application of these amendments has not impacted on amounts previously recognised in the Council's single entity or group financial statements.6

3. Critical Judgements in Applying Accounting Policies

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

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

- In accordance with the Code of Practice on Local Authority Accounting, the Council, classifies as investment property properties (i.e. land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:
    - a) use in the production or supply of goods or services or for administrative purposes, or
    - b) sale in the ordinary course of operations.

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

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

The Statement of Accounts contains estimated figures based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Based on remaining asset lives, it is estimated that the annual depreciation charge for operational assets will increase by £403k per year, if the useful lives of individual assets were to be reduced by one year. However, statutory accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Provisions	The Council's balance sheet at 31 March 2023 includes provisions totalling £637k (31.3.22: £845k). This includes: • £546k (31.3.22: £754k) in respect of the Council's share of the liability for refunding business ratepayers who	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

Item	Uncertainties	Effect if actual results differ from assumptions
	successfully appeal against the rateable value of their properties on the rating list • Other provisions of £91k (31.3.22: £91k) in respect of insured liabilities (insurance excesses) including and the repayment of capital grants.	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	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 31. During 2022-23, the Council's actuaries advised that the pension liability decreased by £24.031m (2022-21: £5.675m decrease).This includes a decrease of £32.385m (2021-22: £7.723m) as a result of experience losses and re-measurements associated with changes in financial assumptions.
Fair value measurements – Investment Property	The Council uses an income approach or a market approach to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement of investment property using the income approach, include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). 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	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.

Item	Uncertainties	Effect if actual results differ from assumptions
	disclosed in note 20 (Investment Property).	
Current value measurements - Operational Land and Buildings	With the exception of specialised assets, the Council uses an income approach or a market approach to measure the current value of its operational land and buildings. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. The significant unobservable inputs used in the current value measurement of operational land and buildings using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Significant unobservable inputs used in the current value measurement of property using the cost (DRC) approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings.

5. Impact of New Accounting Standards not yet Adopted

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

The 2023-24 Code of Practice on Local Authority Accounting – applicable to financial years commencing on or after 1 April 2023 – includes the following changes to accounting standards and interpretations that have been issued but not yet adopted.

Narrow Scope Amendments to IFRS:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates

- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 - Reference to the Conceptual Framework.

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

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

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

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

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

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

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

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

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

Amendments to IAS 8 – Definition of Accounting Estimates

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

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

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

The amendments also clarify:

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

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

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

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

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

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

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

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

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

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

Amendments to IFRS 3 - Reference to the Conceptual Framework

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

The amendments also add to IFRS 3:

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

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

5.2 Update on the implementation of IFRS 16: Leases

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

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

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

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

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

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

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

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

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

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

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

- the lease term ends within 12 months of the date of transition
- the underlying asset is of low value and the Authority has elected to take advantage of the recognition exemption, allowing lease payments associated with such leases to be recognised as an expense over the lease term

- the Authority accounts for investment property using the fair value model in section 4.4. of the Code and IAS 40: Investment Property.

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

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

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

Following CIPFA LASAAC's latest statement on IFRS 16 and, having regard to the Council's ongoing involvement with local government reorganisation in Cumbria, and the preparedness of existing sovereign authorities to implement IFRS 16 in 2022-23, a collective decision was taken by sovereign authorities not to implement IFRS 16 prior to Vesting Day on 1 April 2023.

6. Expenditure and Funding Analysis

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

	2022/23		
	Net Expenditure Chargeable to the General Fund Balance (statutory basis) **£'000**	**Adjustments between Funding and Accounting Basis** **£'000**	**Net Expenditure in Comprehensive Income & Expenditure Statement** (accounting basis) **£'000**
Corporate Services	2,859	1,824	4,683
Customer & Community Services	673	1,288	1,961
Democracy	421	31	452
Housing and Environmental Health	2,589	236	2,825
Planning and Economic Development	734	565	1,299
Property and Estates	438	371	809
Refuse and Recycling	3,077	333	3,410
Revenues and Benefits	663	126	789
All Other	(370)	8	(362)
Net Cost of Services	**11,084**	**4,782**	**15,866**
Other Income and Expenditure	(12,891)	4,214	(8,677)
(Surplus) or Deficit on Provision of Services	**(1,807)**	**8,996**	**7,189**
Opening General Fund Balance	**(15,343)**		
(Surplus)/Deficit on General Fund in year	(1,807)		
Closing General Fund Balance at 31 March	**(17,150)**		

	2021/22		
	Net Expenditure Chargeable to the General Fund Balance (statutory basis) **£'000**	**Adjustments between Funding and Accounting Basis** **£'000**	**Net Expenditure in Comprehensive Income & Expenditure Statement** (accounting basis) **£'000**
Corporate Services	3,862	1,155	5,017
Customer & Community Services	245	985	1,230
Democracy	447	30	477
Housing and Environmental Health	854	264	1,118
Planning and Economic Development	732	691	1,423
Property and Estates	333	231	564
Refuse and Recycling	2,406	306	2,712
Revenues and Benefits	560	135	695
All Other	(1,014)	29	(985)
Net Cost of Services	**8,425**	**3,826**	**12,251**
Other Income and Expenditure	(7,700)	(2,574)	(10,274)
(Surplus) or Deficit on Provision of Services	**725**	**1,252**	**1,977**
Opening General Fund Balance	**(16,068)**		
(Surplus)/Deficit on General Fund in year	725		
Closing General Fund Balance at 31 March	**(15,343)**		

6.1 Expenditure and Funding Analysis

Internal budget reports, analysing income and expenditure across the Council's directorates, services and departments, and used to inform decisions about resource allocation are prepared on a statutory basis (also referred to as the funding basis). These reports reflect amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. In particular:

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

A summary of the service areas aggregated within the individual line items of the segmental structure used in the Comprehensive Income and Expenditure Statement and Expenditure and Funding analysis is set out below

Segment	Services
Corporate Services	Business Support/ICT. Chief Executive. Communications. Financial Services. Human Resources. Internal Audit. Legal & Procurement Services
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Development Control. Economic Development. Strategic Planning.
Property and Estates	Property and Estates
Refuse and Recycling	Refuse and Recycling
Revenues and Benefits	Revenues and Benefits
All Other	Licensing. Nuclear.

(a) Adjustments between the Funding and Accounting Basis

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

2022/23	Statutory Accounting Adjustments			Reallocation Adjustments (Note 6.1e)	Total
	Adjustments for Capital Purposes (Note 6.1b)	Net Change for Pensions Adjustments (Note 6.1c)	Other Differences (Note 6.1d)		
	£000	£000	£000	£000	£000
Corporate Services	1,138	230	2	454	1,824
Customer and Community Services	1,048	234	6	0	1,288
Democracy	4	26	1	0	31
Housing and Environmental Health	20	212	4	0	236
Planning and Economic Development	376	186	3	0	565
Property and Estates	124	45	1	201	371
Refuse and Recycling	(29)	350	12	0	333
Revenues and Benefits	182	131	2	(189)	126
All Other	0	37	2	(31)	8
Net Cost of Services	**2,863**	**1,451**	**33**	**435**	**4,782**
Other income and expenditure from Expenditure and Funding Analysis	(1,650)	729	5,570	(435)	4,214
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**1,213**	**2,180**	**5,603**	**0**	**8,996**

2021/22	Statutory Accounting Adjustments			Reallocation Adjustments (Note 6.1e)	Total
	Adjustments for Capital Purposes (Note 6.1b)	Net Change for Pensions Adjustments (Note 6.1c)	Other Differences (Note 6.1d)		
	£000	£000	£000		£000
Corporate Services	1,321	232	2	(400)	1,155
Customer and Community Services	790	209	0	(14)	985
Democracy	4	26	0	0	30
Housing and Environmental Health	56	202	6	0	264
Planning and Economic Development	507	180	4	0	691
Property and Estates	95	45	1	90	231
Refuse and Recycling	62	314	10	(80)	306
Revenues and Benefits	0	131	4	0	135
All Other	0	29	0	0	29
Net Cost of Services	**2,835**	**1,368**	**27**	**(404)**	**3,826**
Other income and expenditure from the Expenditure and Funding Analysis	(371)	680	(3,287)	404	(2,574)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**2,464**	**2,048**	**(3,260)**	**0**	**1,252**

(b) Adjustments for Capital Purposes

Adjustments for capital purposes comprise for:

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

(ii) Other Income and Expenditure:

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

(c) Net Change for the Pensions Adjustments

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

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

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

(d) Other Differences

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

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

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

(e) Reallocation Adjustments

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

6.2 Expenditure and Income analysed by Nature

The Council's expenditure and income analysed on a subjective basis is as follows:

	2021/22 £'000	2022/23 £'000
Expenditure		
Employee benefits expenses	12,068	13,532
Other services expenses	24,394	23,586
Depreciation, amortisation, revaluation and impairment	1,375	1,646
Interest payments & contingent rents	473	432
Net interest on defined benefit pension liability	620	663
Precepts and levies	1,130	1,191
Impairment of financial assets (credit losses)	50	0
Decrease in fair value of investment properties	291	563
Loss on disposal of non-current assets	0	0
Total Expenditure	**40,401**	**41,613**
Income		
Fees, charges and other service income	(5,724)	(5,255)
Increase in fair value of investment properties	0	0
Gain on disposal of non-current assets	0	(2)
Interest and Investment income	(29)	(840)
Income and Expenditure relating to investment properties	(90)	(201)
Income from council tax and non-domestic rates	(8,932)	(6,208)
Government grants and contributions	(23,649)	(21,918)
Total Income	**(38,424)**	**(34,424)**
Surplus or Deficit on the Provision of Services	**1,977**	**7,189**

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:

	2021/22 £'000	2022/23 £'000
Car Parks	(249)	(304)
Waste Collection	(478)	(499)
Planning	(462)	(310)
Building Control	(183)	(216)
Licensing & Land Charges	(229)	(215)
Sale of Recyclables	(244)	(183)
Cemeteries & Crematorium	(1,230)	(1,249)
Recovery of overpaid Benefits	(327)	(320)
Recycling Credits	(750)	(739)
Tenanted Properties	(448)	(195)
Revenues Court Costs Recovered	(190)	(155)
Markets	0	(3)
Other	(934)	(867)
	(5,724)	**(5,255)**

7. Grant Income Recognised in the Cost of Services

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021-22 and 2022-23.

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

Credited to Services	2021/22 £'000	2022/23 £'000
Capital Grants received and applied in the current year:		
Better Care Fund – Disabled Facilities Grant	(402)	(422)
MHCLG -Town Fund - Millom	(139)	(299)
DLUHC/Allerdale BC - UK Shared Prosperity Fund	0	(19)
	(541)	(740)
Capital Grants received in current year but not applied		
Better Care Fund – Disabled Facilities Grant	(409)	(389)
	(409)	**(389)**
Total	**(950)**	**(1,129)**

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

Credited to Services	2021/22 £'000	2022/23 £'000
Revenue Grants:		
DWP – Grant Received in relation to Rent Allowance	(11,253)	(10,975)
Sellafield Limited – Industrial Solutions Hub Project	(1,369)	(1,077)
Nuclear Decommissioning Authority – Responsible Authority Contribution	(247)	(500)
Sellafield Limited - Social Impact Fund - Leisure Cont.	(400)	(400)
Electoral Commission – General & European Elections	(174)	(23)
DWP – Discretionary Housing Payments	(200)	(116)
Arts Council – Culture Recovery Fund	(159)	(104)
DWP – Housing Benefit Administration	(202)	(244)
MHCLG – Local Council Tax Support Admin Subsidy	(105)	(102)
MHCLG – Council Tax Rebates	0	(100)
Nuclear Decommissioning Authority – CCF Team	(151)	(191)
Nuclear Decommissioning Authority – Cyber Resilience	(589)	(177)
DLUHC/Allerdale BC - UK Shared Prosperity Fund	0	(192)
DLUHC – Towns Fund Millom	0	(277)
DLUHC – Towns Fund Cleator Moor	0	(165)
Sellafield Limited – New Towns Deal Millom	(195)	0
Sellafield Limited – New Towns Deal Cleator Moor	(175)	0
Sellafield Limited – Coastal Programme and Tourism	0	(137)
GLL – Leisure Facilities Contribution	(125)	0
Grant Received in relation to NNDR cost of Collection Allowance	(103)	(104)
Sellafield Limited – Social Impact Fund – General Cont.	(100)	(100)
BEIS – New Burdens	(258)	(50)
DHSC – Covid Surge Testing	(116)	0
CCC – Contain Outbreak Management Fund	(365)	0
MHCLG – Homelessness Prevention	(152)	(211)
Sellafield/CCC – Domestic Abuse Support	(139)	(109)
DBEIS – Additional Restrictions Grant Scheme	(1,391)	0
DBEIS – Local Restrictions Grant Scheme	(65)	0
DLUHC – Cyber Supply Chain Project	(135)	(20)
Carlisle CC – Rough Sleepers Initiative	(108)	(110)
CCC LGR Reimbursement	0	(269)
CCC Social Prescribing	0	(116)
Other grants and contributions	(575)	(578)
	(18,851)	**(16,447)**

8. Other Operating Expenditure

	2021/22 £'000	2022/23 £'000
Parish council precepts	1,130	1,191
Pension Administration Costs	60	66
(Gain) Loss on disposal of non-current assets	0	(2)
Payments to Housing Receipts Pool	1	1
Total	**1,191**	**1,256**

9. Financing and Investment Income and Expenditure

	2021/22 £'000	2022/23 £'000
Interest Payable and similar charges	473	432
Net interest on the net defined benefit liability (asset)	620	663
Interest receivable and similar income	(29)	(840)
Income & expenditure relating to investment properties	(90)	(201)
Changes in fair values of investment properties	291	563
Impairment (credit) losses on trade receivables	50	0
Total	**1,315**	**617**

Interest payable and similar charges comprise:

	2021/22 £'000	2022/23 £'000
Interest expense on financial liabilities (not measured at FVTPL)		
- Interest on Lender Option Borrower Option Loan	379	377
- Finance Lease charges	94	55
	473	**432**

Interest receivable and similar income comprises:

	2021/22 £'000	2022/23 £'000
Net (gains)/losses on:		
- financial assets measured at fair value through profit or loss	(17)	(458)
- financial assets measured at amortised cost		
Interest revenue on financial assets measured at amortised cost	(12)	(382)
Interest revenue on financial assets measured at fair value through other comprehensive income and expenditure	0	0
	(29)	**(840)**

10.Taxation and Non-specific Grant Income and Expenditure

	2021/22 £'000	2022/23 £'000
Council tax income	(5,571)	(5,816)
Non-domestic rates income and expenditure	(3,361)	(392)
Non-ringfenced government grants	(3,185)	(2,077)
Capital grants and contributions	(663)	(2,265)
Total	**(12,780)**	**(10,550)**

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

	2021/22 £'000	2022/23 £'000
Revenue Support Grant	(40)	(41)
New Home Bonus Grant	(61)	(218)
Rural Services Delivery Grant	(51)	(51)
Lower Tier Services Grant	(107)	(115)
Services Grant	0	(174)
Non-Domestic Rates Relief Grants	(2,041)	(1,456)
New Burdens Grant	(66)	0
COVID 19 Grant	(450)	0
Income Compensation for lost fees & charges	(193)	0
Local Council Tax Support	(125)	0
Other Grants	(51)	(22)
Total	**(3,185)**	**(2,077)**

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

	2021/22 £’000	2022/23 £’000
Capital Grants received and applied in the current year:		
DLUHC (MHCLG) -UK Shared Prosperity Fund	0	(32)
DLUHC (MHCLG) - Levelling Up Capacity Funding	0	(111)
Sellafield Limited- ISH Development and Enterprising Town	0	(1,220)
DLUHC (MHCLG) - Town Deal - Cleator Moor	0	(481)
DLUHC (MHCLG) - Town Deal- Millom	0	(407)
Sellafield Limited – Accommodation Support	(663)	0
	(663)	**(2,251)**
Capital Grants received in current year but not applied:		
DLUHC - (MHCLG) Levelling Up Capacity Funding	0	(14)
	(663)	**(2,265)**

11. External Audit Costs

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

	2021/22 £'000	2022/23 £'000
Fees payable for the certification of grant claims and returns	22	43
Fees payable with regard to external audit services by the appointed auditor under the Code of Audit Practice prepared by the Comptroller and Auditor General	93	401
Total	**115**	**444**

12. Members' Allowances

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

	2021/22 £'000	2022/23 £'000
Allowances	212	148
Expenses	1	2
Total	**213**	**150**

13. Officers' Remuneration

13.1 Employee remuneration (excluding senior employees)

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

Remuneration band (£)	2021/22 No	2022/23 No
50,000-54,999	7	6
55,000-59,999	4	2
60,000-64,999	1	-
65,000-69,999	-	-
Total	**12**	**8**

13.2 Senior Officers’ Remuneration

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

Post Holder information	Note	Year	Salary, Fees & Allowances £	Compensation for Loss of Office £	Expenses £	Benefits in Kind £	Total Remuneration excl. Pension £	Pension Contributions £	Total Remuneration inc. Pension £
Chief Executive retired 6.12.2022	2	2022/23	119,048	-	46	-	**119,094**	13,379	**132,473**
		2021/22	106,335	-	-	-	**106,335**	19,247	**125,582**
Interim Chief Executive	2	2022/23	27,855	-	-	-	**27,855**	5,042	**32,897**
(Appointed 7.12.2022)		2021/22	-	-	-	-	**-**	-	**-**
Head of Housing & Social Inclusion	2	2022/23	19,889	-	-	-	**19,889**	3,582	**23,471**
(Appointed 7.12.2022)		2021/22	-	-	-	-			**-**
Head of Planning & Place	2	2022/23	20,194	-	307	-	**20,501**	3,582	**24,083**
(Appointed 7.12.2022)	2	2021/22	-	-	-	-	-	-	**-**
Head of Public Protection	2	2022/23	20,533	-	-	-	**20,533**	3,589	**24,122**
(Appointed 7.12.2022)		2021/22	-	-	-	-			
Head of Environment & Community	2	2022/23	19,513	-	222	-	**19,735**	3,514	**23,249**
(Appointed 7.12.2022)		2021/22	-	-	-	-	**-**	-	**-**
Director of Corporate Services	1	2022/23	32,309	-	307	-	**32,616**	5,132	**37,748**
& Commercial Strategy		2021/22	96,655	-	180	-	**96,835**	16,313	113,148
Director of Financial Resources (Chief Finance Officer)	2	2022/23	52,138	-	-	-	**52,138**	9,437	61,575
(Resigned 6.12.2022)		2021/22	74,435	-	-	-	**74,435**	13,473	87,908
Chief Finance Officer	2	2022/23	16,954	-	36		**16,990**	3,516	20,506
(Appointed 7.12.2022)		2021/22	-	-	-		**-**	-	**-**
Total		2022/23	**328,433**	**-**	**918**	**-**	**329,351**	**50,773**	**380,124**
Total		2021/22	**277,425**	**-**	**180**	**-**	**277,605**	**49,033**	**326,638**

1. The Director of Corporate Services and Commercial Strategy left the authority in August 2022.
2. Corporate Leadership Team Restructure implemented from 7 December 2022. The post of Head of Economic Growth, Investments & Implementation is vacant.

14. Exit Packages

The number of exit packages with the total cost band total cost of compulsory redundancies and other departures is set out in the following table. There were no compulsory redundancies in 2021-22 or 2022-23.

Exit package cost band (including special payments)	Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22 No	2022/23 No	2021/22 No	2022/23 No	2021/22 £	2022/23 £
Up to £20,000	1	-	1	-	11,596	-
£20,001-£40,000	-	-	-	-	-	-
£40,001-£60,000	-	-	-	-	-	-
£60,001-£80,000	1	-	1	-	-	-
Total	**1**	**-**	**1**	**-**	**11,596**	**-**

15. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2022/23	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	(1,575)	-	-	1,575
Revaluation losses /(gains)	3	-	-	(3)
Movement in the fair value of investment properties	(563)	-	-	563
Amortisation of intangible assets	(74)	-	-	74
Capital Grants & contributions	2,991	-	-	(2,991)
Revenue expenditure funded from capital under statute	(2,920)	-	-	2,920
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(28)	-	-	28
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	465	-	-	(465)
Capital expenditure financed from General Fund	52	-	-	(52)
	(1,649)	**0**	**0**	**1,649**

2022/23 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	403	-	(403)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	684	(684)
	403	**0**	**281**	**(684)**
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	30	(30)	-	-
Capital receipts arising on repayment of grants	3	(3)	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	360	-	(360)
Capital receipt arising on repayment of long-term loan advances		-	-	-
	33	**327**	**0**	**(360)**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	-	-	-	-
Other movements	-	(1)	-	1
	0	**(1)**	**0**	**1**
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(4,007)	-	-	4,007
Employers pension contributions and direct payments to pensioners payable in the year	1,827	-	-	(1,827)
	(2,180)	**0**	**0**	**2,180**
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	(5,571)	-	-	5,571
	(5,571)	**0**	**0**	**5,571**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	(32)	-	-	32
	(32)	**0**	**0**	**32**
Movement during the year	**(8,996)**	**326**	**281**	**8,389**

2021/22	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and Impairment of non-current assets	(1,606)	-	-	1,606
Revaluation losses /(gains)	2,512	-	-	(2,512)
Movement in the fair value of investment properties	(291)	-	-	291
Amortisation of intangible assets	(20)	-	-	20
Capital Grants & contributions	1,204	-	-	(1,204)
Revenue expenditure funded from capital under statute	(2,925)	-	-	2,925
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(36)	-	-	36
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	379	-	-	(379)
Capital expenditure financed from General Fund	134	-	-	(134)
	(2,910)	**0**	**0**	**2,910**
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	409	-	(409)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	1,385	(1,385)
	409	**0**	**976**	**(1,385)**
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	34	(34)	-	-
Capital receipts arising on repayment of grants	3	(3)	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	736	-	(736)
Capital receipt arising on repayment of long-term loan advances	-	-	-	-
	37	**699**	**0**	**(736)**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal				
Other movements	-	(1)	-	1
	0	**(1)**	**0**	**1**

2021/22 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(3,785)	-	-	3,785
Employers pension contributions and direct payments to pensioners payable in the year	1,737	-	-	(1,737)
	(2,048)	**0**	**0**	**2,048**
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	3,287	-	-	(3,287)
	3,287	**0**	**0**	**(3,287)**
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	(27)	-	-	27
	(27)	**0**	**0**	**27**
Movement during the year	**(1,252)**	**698**	**976**	**(422)**

16. Usable Reserves

	At 31 March 2022 £'000	Net movement 2022/23 £000	At 31 March 2023 £'000	Note
General Reserves	(2,195)	3	(2,192)	16.1
Earmarked Reserves	(13,148)	(1,810)	(14,958)	16.2
Total General Fund Reserve	**(15,343)**	**(1,807)**	**(17,150)**	
Capital Receipts Reserve	(2,762)	326	(2,436)	16.3
Capital Grants Unapplied	(2,883)	281	(2,602)	16.4
Total Usable reserves	**(20,988)**	**(1,200)**	**(22,188)**	

16.1 General Fund Balance

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

	2021/22 £'000	2022/21 £'000
General Fund Balance at 31 March	(2,124)	(2,195)
Impact of adopting new accounting standards	0	0
General Fund Balance at 1 April	(2,124)	(2,195)
Increase/(decrease) in year	(71)	3
Balance at 31 March	**(2,195)**	**(2,192)**

16.2 Earmarked Reserves

The following table summarised the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2022-23.

Earmarked Reserve	At 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	At 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	At 31 March 2023 £'000
Corporate							
Delivering Differently Fund (transformation fund)	**6**	0	0	**6**	0	(6)	**0**
Budget Carry Forwards	**(1)**	0	(155)	**(156)**	1	0	**(155)**
Budget Pressures	**(738)**	1,400	(836)	**(174)**	720	(1,400)	**(854)**
External Resources Shortfall	**(4,331)**	3,096	(51)	**(1,286)**	725	(3,902)	**(4,463)**
Commercial and Corporate Resources							
Information Technology	**(296)**	0	(404)	**(700)**	0	0	**(700)**
Asset and Land Management	**(137)**	0	(131)	**(268)**	97	(136)	**(307)**
Property Reserve	**(1,090)**	0	0	**(1,090)**	504	0	**(586)**
Coastal Management	**(200)**	0	0	**(200)**	200	0	**0**
Repair and Maintenance	**(781)**	24	(351)	**(1,108)**	223	(64)	**(949)**
Human Resources	**(102)**	22	(24)	**(104)**	44	0	**(60)**
Legal	**(112)**	0	(11)	**(123)**	0	0	**(123)**
Customer and Community Services							
Revenues and Benefits	**(153)**	0	(248)	**(401)**	136	0	**(265)**
Welfare Support	**(125)**	0	0	**(125)**	0	0	**(125)**
Housing	**(589)**	38	(188)	**(739)**	215	(186)	**(710)**
Social Inclusion	**(89)**	0	(29)	**(118)**	31	0	**(87)**
Street Scene	**(50)**	0	0	**(50)**	0	0	**(50)**
The Beacon	**(361)**	0	(184)	**(545)**	0	(22)	**(567)**
Refuse Collection and Recycling	**(120)**	0	(200)	**(320)**	112	0	**(208)**
Car Parks	**(243)**	0	(26)	**(269)**	0	(5)	**(274)**
Crematorium	**(498)**	0	(34)	**(532)**	0	0	**(532)**
Knotweed Treatment	**(18)**	0	0	**(18)**	18	0	**0**
Elections	**(269)**	25	(51)	**(295)**	67	0	**(228)**

Earmarked Reserve	At 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	At 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	At 31 March 2023 £'000
Economic Growth							
Planning	**(89)**	0	0	**(89)**	5	(26)	**(110)**
Development and Building Control	**(15)**	0	0	**(15)**	0	0	**(15)**
Buildings	**(17)**	0	0	**(17)**	0	0	**(17)**
Coastal Park	**(4)**	0	0	**(4)**	4	0	**0**
Coastal Programme	**(121)**	45	0	**(76)**	42	(69)	**(103)**
Enabling Growth Strategy	**(49)**	0	0	**(49)**	49	0	**0**
Nuclear Activities	**(891)**	461	(53)	**(483)**	890	(742)	**(335)**
Localism Grants	**(11)**	0	0	**(11)**	1	0	**(10)**
Flood & Coastal Grants	**(39)**	0	(20)	**(59)**	0	0	**(59)**
Budget Carry Forwards	**(4)**	0	(2)	**(6)**	4	0	**(2)**
Business Development	**(477)**	5	0	**(472)**	35	(15)	**(452)**
Economic Development	**(38)**	19	0	**(19)**	0	(13)	**(32)**
Digital Research Project	**(25)**	0	0	**(25)**	25	0	**0**
Tourism	**(289)**	83	0	**(206)**	115	(93)	**(184)**
Well Whitehaven	**(694)**	85	0	**(609)**	609	0	**0**
Work & Skills Programme	**(131)**	79	0	**(52)**	52	0	**0**
Industrial Solutions	**(402)**	0	(892)	**(1,294)**	0	3	**(1,297)**
Future High Streets	**(62)**	29	(73)	**(106)**	0	0	**(106)**
Millom Town Fund	**(144)**	0	(364)	**(508)**	190	0	**(318)**
Cleator Moor Town Fund	**(145)**	0	(288)	**(433)**	88	0	**(345)**
Millom Town SL Funding	**0**	0	0	**0**	0	(221)	**(221)**
Cleator Moor Town SL Funding	**0**	0	0	**0**	0	(109)	**(109)**
Total	**(13,944)**	**5,411**	**(4,615)**	**(13,148)**	**5,202**	**(7,012)**	**(14,958)**

16.3 Capital Receipts Reserve

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(3,460)	(2,762)
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	(34)	(30)
Transfer from Deferred Capital Receipts Reserve	(1)	(1)
Capital receipt arising on repayment of grant assistance & long-term loan advances	(3)	(3)
Total capital receipts received in the year	(38)	(34)
Receipts applied to finance capital expenditure during the year	736	360
Balance at 31 March	**(2,762)**	**(2,436)**

16.4 Capital Grants Unapplied

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(3,859)	(2,883)
Capital Grants received in previous years and applied in current year	1,385	684
Capital Grants received in current year but not applied	(409)	(403)
Balance at 31 March	**(2,883)**	**(2,602)**

17. Unusable Reserves

	At 31 March 2022 £'000	Net movement 2022/23 £000	At 31 March 2023 £'000	Note
Revaluation Reserve	(9,961)	(1,069)	(11,030)	17.1
Deferred Capital Receipts Reserve	(147)	1	(146)	17.2
Capital Adjustment Account	(21,399)	111	(20,288)	17.3
Collection Fund Adjustment Account	(1,005)	5,571	4,566	17.4
Pensions Reserve	24,712	(24,031)	681	17.5
Accumulated Absences Account	257	32	289	17.6
Total Unusable Reserves	**(7,543)**	**(19,385)**	**(26,928)**	

17.1 Revaluation Reserve

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

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

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**(9,271)**	**(9,961)**
Revaluation of assets	(1,139)	(1,563)
Difference between fair value and historical cost depreciation	438	470
Accumulated gains on assets sold, transferred or scrapped	11	24
Balance at 31 March	**(9,961)**	**(11,030)**

17.2 Deferred Capital Receipts Reserve

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**(148)**	**(147)**
Amounts written off	0	0
Transferred to usable capital receipts	1	1
Balance at 31 March	**(147)**	**(146)**

17.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**(21,739)**	**(20,399)**
Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non-current assets	1,606	1,575
Revaluation Losses on Property Plant & Equipment charged to the CIES	(251)	(3)
Amortisation of intangible assets	20	74
Revenue Expenditure Funded from Capital Under Statute	2,925	2,920
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	36	28
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated gains on assets sold written out of the Revaluation Reserve	(11)	(24)
Difference between fair value depreciation and historical cost depreciation	(438)	(470)
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(736)	(360)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,204)	(2,991)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,385)	(684)
Statutory Minimum Revenue Provision for the financing of capital investment charged against the General Fund balance	(379)	(465)
Capital expenditure charged against the General Fund	(134)	(52)
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	291	563
Balance at 31 March	**(21,399)**	**(20,288)**

17.4 Collection Fund Adjustment Account

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**2,282**	**(1,005)**
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	(3,287)	5,571
Balance at 31 March	**(1,005)**	**4,566**

17.5 Pensions Reserve

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**30,387**	**24,712**
Re-measurements of the net defined benefit liability/asset	(7,723)	(26,211)
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	3,785	4,007
Employer's pensions contributions and direct payments to pensioners payable in the year[1]	(1,737)	(1,827)
Balance at 31 March	**24,712**	**681**

[1] Employers pension contributions and direct payments to pensioners of £1,827,000 were paid in 2022-23 (2021-22: £1,737,000) this includes £246,000 deficit recovery contributions (2021-22: £240,000)

17.6 Accumulated Absences Account

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	230	257
Settlement or reversal of accrual made at the end of the preceding year	(230)	(257)
Amounts accrued at the end of the current year	257	289
Balance at 31 March	**257**	**289**

18. Property, Plant and Equipment (PPE)

18.1 Net book value of Property, Plant and Equipment

	2021/22 £'000	2022/23 £'000
Infrastructure Assets	1,178	1,118
Other Property, Plant and Equipment	20,380	26,273
Net Book Value at 31 March	**21,558**	**27,391**

18.2 Infrastructure Assets

	2021/22 £'000	2022/23 £'000
Net Book value at 1 April	1,237	1,178
Additions	0	0
Disposals	0	0
Depreciation charge for year	(59)	(59)
Other	0	(1)
Net Book Value at 31 March	**1,178**	**1,118**

18.3 Other Property, Plant and Equipment Assets

	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Gross Cost or Valuation						
As at 1 April 2022	15,522	2,947	204	2,498	944	**22,115**
Additions	306	3,183	0	0	2,381	**5,870**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	555	0	0	(47)	0	**508**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2	0	0	(13)	0	**(11)**
De-recognition - Disposals	0	0	0	(8)	0	**(8)**
De-recognition - Other	0	(855)	0	(20)	0	**(875)**
Reclassifications	0	0	0	0	0	**0**
Other movements in cost or valuation	0	2	0	1	(2)	**1**
At 31 March 2023	**16,385**	**5,277**	**204**	**2,411**	**3,323**	**27,600**
Accumulated Depreciation & Impairment						
As at 1 April 2022	(1)	(1,734)	0	0	0	**(1,735)**
Charged in year	(1,069)	(447)	0	0	0	**(1,516)**
Depreciation written out to the Revaluation Reserve	1,055	0	0	0	0	**1,055**
Depreciation written out to the Surplus/Deficit on the Provision of Services	14	0	0	0	0	**14**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
De-recognition - Other	0	855	0	0	0	**855**
Reclassifications	0	0	0	0	0	**0**
At 31 March 2023	**(1)**	**(1,326)**	**0**	**0**	**0**	**1,327**
Net Book Value						
As at 31 March 2023	**16,384**	**3,951**	**204**	**2,411**	**3,323**	**26,273**
As at 1 April 2022	**15,524**	**1,214**	**204**	**2,498**	**940**	**20,380**

Movements in 2021/22

	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2021	19,056	4,922	204	2,520	184	**26,886**
Additions	563	0	0	0	942	**1,505**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(449)	0	0	(27)	0	**(476)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	130	0	0	5	0	**135**
De-recognition - Disposals	0	0	0	0	0	**0**
De-recognition - Other	(36)	(2,124)	0	0	0	**(2,160)**
Reclassifications	(3,742)	149	0	0	(182)	**(3,775)**
At 31 March 2022	**15,522**	**2,947**	**204**	**2,498**	**944**	**22,115**
Accumulated Depreciation and Impairment						
As at 1 April 2021	(1)	(3,434)	0	0	0	**(3,435)**
Charged in year	(1,123)	(424)	0	0	0	**(1,547)**
Depreciation written out to the Revaluation Reserve	1,007	0	0	0	0	**1,007**
Depreciation written out to the Surplus/Deficit on the Provision of Services	116	0	0	0	0	**116**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
De-recognition - Disposal	0	2,124	0	0	0	**2,124**
Reclassifications	0	0	0	0	0	**0**
At 31 March 2022	**(1)**	**(1,734)**	**0**	**0**	**0**	**(1,735)**
Net Book Value						
As at 31 March 2022	**15,521**	**1,213**	**204**	**2,498**	**942**	**20,380**
As at 1 April 2021	**19,055**	**1,488**	**204**	**2,520**	**182**	**23,451**

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

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

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

Valuations summarised in the following tables, were undertaken by external valuers Montague Evans LLP in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards (the ‘Red Book’).

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

At 31 March 2023	**Other Land & Buildings £’000**	**Equipment & Vehicles £’000**	**Community Assets £’000**	**Surplus Assets £’000**	**Assets Under Const. £’000**	**Total £’000**
Carried at historical cost	-	5,277	204	-	3,323	8,804
Valued at current value at:						
31 March 2023	16,383	-	-	2,411	-	18,796
31 March 2022	-	-	-	-	-	-
31 March 2021	-	-	-	-	-	-
31 March 2020	-	-	-	-	-	-
31 March 2019	2	-	-	-	-	2
Total Cost or Valuation	**16,385**	**5,277**	**204**	**2,411**	**3,323**	**27,600**

At 31 March 2022	**Other Land & Buildings £’000**	**Equipment & Vehicles £’000**	**Community Assets £’000**	**Surplus Assets £’000**	**Assets Under Const. £’000**	**Total £’000**
Carried at historical cost	-	2,947	204	-	944	4,095
Valued at current value at:						
31 March 2022	15,520	-	-	2,498	-	18,018
31 March 2021	-	-	-	-	-	-
31 March 2020	-	-	-	-	-	-
31 March 2019	2	-	-	-	-	2
31 March 2018	-	-	-	-	-	-
Total Cost or Valuation	**15,522**	**2,947**	**204**	**2,498**	**944**	**22,115**

Fair value measurement of Surplus Assets - fair value hierarchy

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

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31 March 2023 £'000
Development Land	-	1,397	988	2,385
Car Park Land	-	26	-	26
At 31 March 2023	**-**	**1,423**	**988**	**2,411**

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31 March 2022 £'000
Development Land	-	596	1,875	2,471
Car Park Land	-	27	0	27
At 31 March 2022	**-**	**623**	**1,875**	**2,498**

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

Income approach

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

Market approach

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

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

Highest and Best Use of Surplus Properties

In estimating the fair value of the Council’s surplus properties, the highest and best use of the properties is their current use.

Valuation Techniques

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

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

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

Surplus Assets Categorised Within Level 3

	2021/22 £000	2022/23 £000
Opening Balance	1,930	1,875
Transfers Into Level 3	-	-
Transfers out of Level 3	-	(850)
Total gains or losses resulting from changes in Fair Value	(55)	(37)
Transfers from Assets Held For Sale	-	-
Total	**1,875**	**988**

19. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	Civic Regalia £'000	Paintings & Fine Art £'000	Museum Exhibits £'000	Total Assets £'000
Cost or valuation				
1 April 2022	**250**	**1,025**	**1,053**	**2,328**
Additions - purchased	0	0	0	0
Additions - donated	0	0	0	0
Revaluations increases /(decreases) recognised in the Revaluation Reserve	0	0	0	0
At 31 March 2023	**250**	**1,025**	**1,053**	**2,328**
Nature of holding				
Owned (Freehold)	**250**	**1,025**	**1,053**	**2,328**
Finance Lease	0	0	0	0
	250	**1,025**	**1,053**	**2,328**

	Civic Regalia £'000	Paintings & Fine Art £'000	Museum Exhibits £'000	Total Assets £'000
Cost or valuation				
1 April 2021	**208**	**849**	**663**	**1,720**
Additions - purchased	0	0	0	**0**
Additions - donated	0	0	0	**0**
Revaluations increases /(decreases) recognised in the Revaluation Reserve	**42**	176	390	608
At 31 March 2022	**250**	**1,025**	**1,053**	**2,328**
Nature of holding				
Owned (Freehold)	**250**	**1,025**	**1,053**	**2,328**
Finance Lease	**0**	**0**	**0**	**0**
	250	**1,025**	**1,053**	**2,328**

19.1 Description of the Council's Collection of Heritage Assets

The Council's heritage assets consist of:

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

(i) Civic Regalia

Civic regalia, comprising mayoral chains, ceremonial mace and items of jewellery, is included in the Balance Sheet at an insurance valuation based on the estimated replacement cost of each item. Valuations were carried out by Michael King Ltd in August 2021.

(ii) Paintings and Fine Arts

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

Paintings and Fine Arts are included on the balance sheet at insurance valuation. This includes four paintings by Robert Salmon (valued at a total of £275k) and three paintings by Mathias Read (valued at a total value of £315k). Lower value items are reported in the Balance Sheet at cost. Low value items for which historic cost information is not available are not recognised on the Balance Sheet.

The latest valuation of paintings and fine arts was carried out by external valuers Doerr Dallas Valuations, in March 2022.

(iii) Museum Collections

Museum Collection assets comprise of the following categories:

- Archaeology
- Arms and Armour
- Medals
- Geographical and Natural Sciences
- The Norman Roberts Collection
- Decorative Arts
- Historic Pictures
- Photographs
- Print Collection Fine Arts
- Barometers, Clocks, Silver and Watches
- Social History and Memorabilia
- Other collections such as ceramics and costumes

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

The latest valuation of the Council's museum collections was carried out by external valuers Doerr Dallas Valuations, in March 2022.

(iv) Buildings and structures including historical sites, monuments and statues

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

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

20. Investment Property

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

	2021/22 £'000	2022/23 £'000
At 1 April	7,402	11,382
Additions- acquisitions	496	0
Additions -subsequent expenditure	0	0
Disposals	0	0
Net gains/(losses) from fair value adjustments	(291)	(563)
Transfers: (to)/from Property, Plant and Equipment	3,775	0
Balance at end of the year	**11,382**	**10,819**

Nature of holding		
Owned (Freehold)	11,371	10,811
Leasehold	11	8
Total	**11,382**	**10,819**

Valuation process for Investment Properties

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

Investment properties were re-valued as at 31 March 2023 by external valuers Montague Evans LLP.

Fair value measurement of Investment property - fair value hierarchy

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

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/23 £'000
Garage sites	-	217	2	219
Grazing plots	-	516	-	516
Industrial units,	-	3,944	-	3,944
Offices & other commercial premises	-	5,028	110	5,138
Other	-	1,002	-	1,002
At 31 March 2022	**-**	**10,707**	**112**	**10,819**

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value at 31/03/22 £'000
Garage sites	-	217	2	219
Grazing plots	-	455	-	455
Industrial units,	-	4,339	-	4,339
Offices & other commercial premises	-	5,478	120	5,598
Other	-	771	-	771
At 31 March 2021	**-**	**11,260**	**122**	**11,382**

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

Income approach

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

Market approach

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

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.

	2021/22 £'000	2022/23 £'000
At 1 April	2	122
Transfers Into Level 3	120	0
Transfers out of Level 3	0	0
Total gains or losses resulting from changes in Fair Value	0	(10)
Carrying amount at 31 March	**122**	**112**

Rental income and operating expenses from Investment Property

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

	2021/22 £'000	2022/23 £'000
Rental income from investment property	(807)	(1,420)
Direct operating expenses relating to investment property	717	1,219
Net (gain)/loss on Investment Properties in the Comprehensive Income & Expenditure Statement	**(90)**	**(201)**

21. Intangible Assets

The movement on Intangible Asset balances are shown below.

	2021/22 £'000	2022/23 £'000
Cost or Valuation		
As at 1 April	339	372
Additions - Asset under construction Beacon Virtual Museum	33	0
De-recognition - Other	0	0
At 31 March	**372**	**372**
Accumulated Amortisation and Impairment		
As at 1 April	(39)	(59)
Charged in year	(20)	(74)
De-recognition - Other	0	0
At 31 March	**(59)**	**(133)**
Net Book Value		
At 31 March	313	239
At 1 April	300	313

22. Capital Expenditure and Financing

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

	2021/22 £'000	2022/23 £'000
Opening Capital Financing Requirement	**2,714**	**3,835**
Capital Investment		
Property, Plant and Equipment	1,505	5,870
Investment Properties	496	0
Revenue Expenditure Funded from Capital under Statute	2,925	2,920
Intangible Assets	33	0
Sources of Finance		
Capital receipts	(736)	(360)
Governments grants and other contributions	(1,204)	(2,991)
Application of Capital Grants Unapplied	(1,385)	(684)
Sums set aside from revenue	(134)	(52)
Minimum revenue provision	(379)	(465)
Closing Capital Finance Requirement	**3,835**	**8,073**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	1,121	4,238
Total movement in year	**1,121**	**4,238**

23. Investments

	31 March 2022 £'000	31 March 2023 £'000
Term deposits and notice accounts with UK Banks	15,206	20,156
Total	**15,206**	**20,156**

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

	31 March 2022		31 March 2023	
	Short-term £'000	Long-term £'000	Short-term £'000	Long-term £'000
Trade receivables	892	0	324	0
Council tax receivable	667	0	773	0
NNDR receivable	606	0	707	0
Housing benefit overpayments	843	0	770	0
Other taxation & social security	2,516	0	200	0
Rent receivable	495	0	118	0
Other receivables	4,321	6	11,513	5
Prepayments	591	0	469	0
Total	**10,931**	**6**	**14,874**	**5**
Allowance for credit losses:				
- Trade & Other receivables	(236)	0	(231)	0
- Council Tax	(237)	0	(300)	0
- NNDR	(127)	0	(254)	0
- Housing Benefit overpayments	(764)	0	(754)	0
	(1,364)	**0**	**(1,539)**	**0**
	9,567	**6**	**13,335**	**5**

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

An age analysis of non IFRS9 financial assets, comprising Council Tax, NNDR and Housing Benefit overpayments that were either past due or impaired is as follows:

	31 March 2023			
Past due status	Council Tax £'000	NNDR £'000	Housing benefit overpayment £'000	Total £'000
Past due less than 12 months	277	311	143	731
Past due more than 12 months	496	396	627	1,519
Total	**773**	**707**	**770**	**2,250**

	31 March 2022			
Past due status	Council Tax £'000	NNDR £'000	Housing benefit overpayment £'000	Total £'000
Past due less than 12 months	246	266	166	678
Past due more than 12 months	421	340	677	1,438
Total	**667**	**606**	**843**	**2,116**

A summary of the associated 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 2022			31 March 2023		
	Individual impairment £'000	Collective impairment £'000	Total £'000	Individual impairment £'000	Collective impairment £'000	Total £'000
Council tax	0	(237)	(237)	0	(300)	(300)
NNDR	0	(127)	(127)	0	(254)	(254)
HB overpayment	0	(764)	(764)	0	(754)	(754)
Total	**0**	**(1,128)**	**(1,128)**	**0**	**(1,308)**	**(1,308)**

26. Cash and Cash Equivalents

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

	31 March 2022 £'000	31 March 2023 £'000
Cash in hand	2	2
Bank current accounts	0	120
Money Market Funds	18,017	854
Total Cash and Cash Equivalents (balance sheet)	**18,019**	**976**
Bank Overdraft	**(450)**	**0**
Cash and Cash Equivalents (cash flow statement)	**17,569**	**976**

27. Short-term Creditors

	31 March 2022 £'000	31 March 2023 £'000
Trade Payables	(1,445)	(2,034)
Other payables	(13,339)	(6,139)
Other Taxation and Social Security	0	0
Unpaid Holiday Pay	(257)	(289)
Finance lease liabilities	(390)	(125)
Total	**(15,431)**	**(8,587)**

28. Contract and Other Liabilities

	31 March 2022 £'000	31 March 2023 £'000
Deferred income (receipts in advance)	(250)	(201)
NNDR Received in Advance	(182)	(461)
Council Tax Received in Advance	(125)	(147)
Capital Grants Received in Advance	(2,192)	(9,484)
Revenue Grants Received in Advance	(307)	(729)
	(3,056)	**(11,022)**

29. External Borrowing

	31 March 2022 £'000	31 March 2023 £'000
Short-term Borrowing		
Lender Option Borrower Option Loan accrued interest	(61)	(61)
	(61)	(61)
Long-term Borrowing		
Lender Option Borrower Option Loan	(5,000)	(5,000)
Total	**(5,061)**	**(5,061)**

Analysis of loans by maturity:

Amounts repayable	31 March 2022 £'000	31 March 2023 £'000
Within 1 year	(61)	(61)
Between 1 & 2 years	0	0
Between 2 & 5 years	0	0
Between 5 & 10 years	0	0
After more than 10 years	(5,000)	(5,000)
	(5,061)	**(5,061)**

30. Provisions

	NNDR Appeals £'000	Other £'000	Total £'000
At 1 April 2022	**(754)**	**(91)**	**(845)**
New provisions made in 2022/23	(546)	0	(546)
Provisions utilised in 2022/23	754	0	754
Unused amounts reversed in year	0	0	0
At 31 March 2023	**(546)**	**(91)**	**(637)**
Disclosed as:			
At 31 March 2023			
Current component	(546)	(91)	(637)
Long-term component	0	0	0
	(546)	**(91)**	**(637)**
At 31 March 2022			
Current component	(754)	(91)	(845)
Long-term component	**0**	**0**	**0**
	(754)	**(91)**	**(845)**

(a) NNDR Appeals

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

The provision of £546k represents the Council's share (40%) of the total provision of £1,365k at 31 March 2023 in respect of the potential refund of business rates income for years up to and including 2022-23. The provision at 31 March 2023 includes £486k in respect of potential obligations that may arise from successful appeals, made after the balance sheet date, against the 2017 valuation list and £60k in respect of the 2010 valuation list.

The total cost of appeals settled during 2022-23 was £1,885k. The Authority's share of this cost was £754k (40%). This was charged against the provision brought forward at 1 April 2022.

(b) Other Provisions

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

31. Pensions

31.1 Participation in Pension Schemes

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

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

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

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

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

Governance

Prior to local government reorganisation, governance of the scheme was the responsibility of Cumbria County Council's Pensions Committee. The functions and responsibilities of the Committee included:

- exercising the Council’s functions as the delegated decision-making body of the Administering Authority for the management of the Cumbria LGPS, which includes its involvement in the Border to Coast Pensions Partnership (BCPP) as the Council’s approved Pension Pool
- reviewing and approving amendments to the statutory policy documents (i.e. Funding Strategy Statement, Governance Policy Statement, Admissions and Terminations Policy, Administration and Communications Policy, Discretions Policy, Cash Investment Policy, and Investment Strategy Statement)
- approving the formal triennial actuarial valuation
- submitting the Pension Fund Accounts to the Council

- submitting reports to the Council updating it on the governance, risk monitoring and performance of the Scheme
- receiving and where necessary instructing corrective action, in response to internal and external auditor reports
- reviewing and approving the Scheme's Training Policy
- approving the Annual Business Plan and associated Budget and reviewing performance against this throughout the year.

Advice was provided to the Pension Committee by Cumbria County Council's Section 151 Officer, the County Council's finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme. Services are also provided by the scheme actuary (Mercers), and by other consultants and lawyers for investment management services.

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

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

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

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

The Board has no remit as a decision-making body.

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

- The Governance Policy Statement**,** which sets out the roles and responsibilities, describes risk management and reports compliance against a set of best practice principles
- The Administration Strategy & Communications Policy, which details the formal arrangements for pensions and benefits administration for the Scheme, and the communications with members, employers and pensioners

- Investment Strategy Statement, detailing how the Schemes assets are invested, the fund managers and benchmarks, and the Scheme's compliance with best practice in investment decision-making (Myners Principles) and the Financial Reporting Council's UK Stewardship Code
- Cash Investment Policy, governing the management of the Schemes cash, bank account and investment of surplus cash
- Funding Strategy Statement, which identifies how the Schemes pension liabilities will be funded in the longer term and addresses solvency issues.
- Admissions and Termination Policy, detailing the policy on employer admissions and the methodology used to calculate termination payments on cessation of participation in the Scheme
- Discretions Policy, setting out the policy regarding the exercise of certain discretions to assist in the management of the Scheme
- Training Policy, setting out the policy on the training and development of members of all committees and officers responsible for management of the Scheme
- Policy & Procedure on Reporting breaches of the law which sets out the policy and procedures to be followed by persons involved with the Cumbria LGPS in relation to reporting breaches of the law.
- Internal Controls and Risk Management policy which sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk.

Further details relating to governance of the Scheme (including risk management) can be found in the Scheme's Governance Policy Statement. This is included in the Cumbria LGPS Fund Policy Document, published on-line at: https://www.cumbriapensionfund.org

31.2 Transactions Relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Service cost comprising:				
▪ current service cost	3,034	3,278	0	0
▪ past service costs (gains)	0	0	0	0
▪ (gain)/loss from curtailments	71	0	0	0
Pension administration expenses	60	66	0	0
Financing and Investment Income & Expenditure				
▪ net interest expense	600	638	20	25
Total post-employment benefits charged to the surplus or deficit on the provision of services	3,765	3,982	20	25
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit obligation comprising:				
▪ return on plan assets (excluding amount included in the net interest expense) & other (gains)/losses	(5,872)	6,257	0	0
▪ experience (gains)/loss on liabilities	4,591	8,160	13	43
▪ actuarial (gains) and losses arising on changes in financial assumptions	(1,681)	(46,626)	(10)	(219)
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(4,725)	0	(39)	0
	(7,687)	(32,209)	(36)	(176)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(3,922)	(28,227)	(16)	(151)

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,765)	(3,982)	(20)	(25)
Actual amount charged against the General Fund Balance for pensions in the year:				
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	1,648	1,742	89	85

31.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2022 £'000	31 March 2023 £'000
Present value of the defined benefit obligation - Funded Liabilities	(117,352)	(82,231)
Present value of the defined benefit obligation - Unfunded Liabilities	(917)	(681)
Fair value of plan assets	93,557	88,405
	(24,712)	5,493
Asset Ceiling adjustment (Remeasurement)[1]	0	(6,174)
Net liability arising from the defined benefit obligation	**(24,712)**	**(681)**

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

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

	Funded Liabilities		Unfunded Liabilities	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Opening fair value of scheme assets	86,987	93,557	0	0
Interest income	1,816	2,603	0	0
Remeasurement gain/(loss):				
▪ return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	5,872	(6,257)	0	0
Employer contributions	1,648	1,742	89	85
Contributions by scheme participants	497	544	0	0
Benefits/transfers paid	(3,203)	(3,718)	(89)	(85)
Administration expenses	(60)	(66)	0	0
Closing balance of scheme assets at 31 March	**93,557**	**88,405**	**0**	**0**

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

	Local Government Pension Scheme			
	Funded Liabilities		Unfunded Liabilities	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Opening balance at 1 April	(116,352)	(117,352)	(1,022)	(917)
Current Service Cost	(3,034)	(3,278)	0	0
Interest Cost	(2,416)	(3,241)	(20)	(25)
Contributions by scheme participants	(497)	(544)	0	0
Remeasurement gains and losses:				
▪ experience gains/(losses)	(4,591)	(8,160)	(13)	(43)
▪ actuarial gains and (losses) arising on changes in financial assumptions	1,681	46,626	10	219
▪ actuarial gains and(losses) arising on changes in demographic assumptions	4,725	0	39	0
Past Service Costs	0	0	0	0
(Gains)/losses on Curtailments	(71)	0	0	0
Benefits Paid	3,203	3,718	89	85
Closing balance at 31 March	**(117,352)**	**(82,231)**	**(917)**	**(681)**

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

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

At 31 March 2019 the impact of the McCloud judgement on scheme liabilities was assessed based on calculations carried out on individual member data supplied for the 2016 round of actuarial valuations and an estimate of the additional liabilities arising from the judgement included in the IAS 19 post-employment benefit (LGPS) liabilities at that date. In 2018-19, additional past service costs of £387k were included in respect of liabilities arising from the McCloud judgement. The allowance for McCloud included in the Authority's IAS 19 post-employment benefit (LGPS) liabilities at 31 March 2020 was substantially in line with the remedy proposed by MHCLG. In subsequent years no further adjustments are required in relation to the McCloud judgement.

31.6 Composition of Local Government pension scheme assets

Asset Category	31 March 2022 £'000	31 March 2023 £'000
Equities		
UK quoted	0	0
Global quoted	0	0
UK equity pooled	4,771	4,243
Global quoted pooled	23,763	23,869
Overseas equity pooled	4,304	4,243
Equity Protection	0	
	32,838	**32,355**
Bonds		
UK corporate bonds	0	0
Overseas corporate bonds	0	0
UK government indexed pooled	15,811	12,377
	15,811	**12,377**
Property		
UK	5,894	4,332
Property funds	2,620	2,475
	8,514	**6,807**
Alternatives		
Private equity funds	5,707	7,161
Infrastructure funds	9,543	11,758
Real estate debt funds	0	0
Private Debt Fund	4,491	6,100
Healthcare Royalties	1,216	1,414
Multi asset credit	12,817	8,045
	33,774	**34,478**
Cash		
Cash accounts	2,526	2,299
Net current assets	94	89
	2,620	**2,388**
Total	**93,557**	**88,405**

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2022 (2021-22: 31 March 2022).

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

	2021/22		2022/23	
	Beginning of period	End of period	Beginning of period	End of period
Post retirement mortality assumptions				
Life expectancy at 65 for current pensioners:				
- Male	22.7yrs	21.8yrs	21.8yrs	21.9yrs
- Female	25.3yrs	24.1yrs	24.1yrs	24.2yrs
Life expectancy for future pensioners ages 65 in 20 years' time:				
- Male	24.3yrs	23.2yrs	23.2yrs	23.3yrs
- Female	27.2yrs	25.9yrs	25.9yrs	26.0yrs
Financial assumptions				
Rate of CPI inflation	2.70%	3.30%	3.30%	2.70%
Rate of increase in salaries	4.20%	4.80%	4.80%	4.20%
Rate of increase in pensions	2.80%	3.40%	3.40%	2.80%
Rate for discounting scheme liabilities	2.10%	2.80%	2.80%	4.80%

31.8 Sensitivity Analysis

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

	Sensitivity analysis				
	Liabilities £'000	Assets £'000	(Deficit)/ Surplus £'000	Projected Service cost for next year £'000	Projected Net Interest cost for next year £'000
At 31.3.23	(82,912)	88,405	5,493	1,393	(302)
+0.5% p.a. discount rate	(76,596)	88,405	11,809	1,185	(668)
+0.25% p.a. inflation	(86,319)	88,405	2,086	1,515	(136)
+0.25% p.a. pay growth	(83,332)	88,405	5,073	1,393	(279)
1 year increase in life expectancy	(84,617)	88,405	3,788	1,428	(218)
+1% change in 2021-22 investment returns	(82,912)	89,283	6,371	1,393	(344)
'-1% change in 2021-22 investment returns	(82,912)	87,527	4,615	1,393	(259)

	Sensitivity analysis				
	Liabilities £'000	Assets £'000	(Deficit)/ Surplus £'000	Projected Service cost for next year £'000	Projected Net Interest cost for next year £'000
At 31.3.22	(118,269)	93,557	(24,712)	2,974	691
+0.1% p.a. discount rate	(108,429)	93,557	(14,872)	2,531	489
'+0.1% p.a. inflation	(123,611)	93,557	(30,054)	3,206	842
+0.1% p.a. pay growth	(118,869)	93,557	(25,312)	2,974	709
1 year increase in life expectancy	(121,899)	93,557	(28,342)	3,071	794
+1% change in 2020-21 investment returns	(118,269)	94,487	(23,782)	2,974	665
'-1% change in 2020-21 investment returns	(118,269)	92,627	(25,642)	2,974	717

31.9 Risks and Investment strategy

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

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

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

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

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

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

Market Risk

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

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

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

Currency risk: The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. The Scheme seeks to mitigate losses due to adverse movements in foreign currency exchange rates through investing in a diversified portfolio of assets, using active management and private market funds that are currency-hedged back to sterling where possible.

Credit/Counterparty risk: Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The creditworthiness of all counterparties and the scheme's exposure to credit and counterparty risk is reviewed on a regular basis.

Liquidity risks

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

Other risks

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

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

31.10 Impact on the Council's Cash Flows

Projected employer contributions which the Council expects to pay in 2023-24 is £1,579,000 (2022-23: £1,682,000). This comprises normal contributions of £1,494,000 (2022-23: £1,347,000), deficit funding contributions of £0 (2022-23: £246k) and a recharge of unfunded benefits of £85,000 (2022-23; £89,000).

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

32. Other Long-term liabilities

	31 March 2022 £'000	31 March 2023 £'000
Finance lease liabilities	(384)	(259)
Total	**(384)**	**(259)**

33. Leases

33.1 Council as Lessee

Finance Leases

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

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

	31 March 2022 £'000	31 March 2023 £'000
Vehicles, Plant, Furniture & Equipment	840	484
Total	**840**	**484**

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

	31 March 2022 £'000	31 March 2023 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	390	125
Non-current	384	259
	774	384
Finance costs payable in future years	112	58
Minimum lease payments	**886**	**442**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Not later than 1 year	444	153	390	125
Later than 1 year and not later than five years	442	289	384	259
Later than 5 years	0	0	0	0
Total	**886**	**442**	**774**	**384**

Contingent rents recognised as an expense during the year was £0 (2021-22: £0)

33.2 Council as Lessor

Operating Leases

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

	31 March 2022 £'000	31 March 2023 £'000
Not later than one year	864	687
Later than one year and not later than five years	1,671	1,689
Later than five years	2,776	3,747
Total	**5,311**	**6,123**

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.

34. Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2023					
Long-term debtors	24	5	0	0	5
Short-term investments	23	20,156	0	0	20,156
Short-term debtors	24	305	0	13,030	13,335
Cash & cash equivalents	26	122	854	0	976
Total for category		**20,588**	**854**	**13,030**	**34,472**

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2022					
Long-term debtors	24	6	0	0	6
Short-term investments	23	15,206	0	0	15,206
Short-term debtors	24	1,658	0	7,909	9,567
Cash & cash equivalents	26	2	18,017	0	18,019
Total for category		**16,872**	**18,017**	**7,909**	**42,798**

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 Lease liabilities £000	Other Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2023					
Bank overdraft	26	0		0	0
Short-term creditors	27	(2,350)	(125)	(6,112)	(8,587)
Short-term borrowing	29	(61)	0	0	(61)
Long-term borrowing	29	(5,000)	0	0	(5,000)
Other Long-term liabilities	32	0	(259)	0	(259)
Total for category		**(7,411)**	**(384)**	**(6,112)**	**(13,907)**

	Note	Measured at amortised cost £'000	Non IFRS 9 Lease liabilities £000	Other Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2022					
Bank overdraft	26	(450)		0	(450)
Short-term creditors	27	(2,311)	(390)	(12,730)	(15,431)
Short-term borrowing	29	(61)		0	(61)
Long-term borrowing	29	(5,000)		0	(5,000)
Other Long-term liabilities	32	0	(384)	0	(384)
Total for category		**(7,822)**	**(774)**	**(12,730)**	**(21,326)**

Information about the fair value at each class of financial instruments is given in notes 34.5 and 34.6

34.2 Material Soft Loans made by the Authority

The Authority does not have any material soft loans.

34.3 Reclassification of financial assets

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

34.4 Defaults and breaches

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

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

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

Financial assets carried at fair value	Note	Level	31.3.22 £'000	31.3.23 £'000
Money Market Funds (AAA mmf rated)	26	1	18,017	854

Money Market Funds - level 1

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

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Changes in the Valuation Technique

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

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

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

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

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

	Carrying Value	Fair value			
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31 March 2023 £'000
Financial Assets	0	0	0	0	0
Financial Liabilities					
LOBO Loans	(5,061)	0	(6,805)	0	(6,805)
Finance Lease obligations	(384)	0	0	(384)	(384)
At 31 March 2023	**(5,445)**		**(6,805)**	**(384)**	**(7,189)**

	Carrying Value £'000	Fair value Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31 March 2022 £'000
Financial Assets	0	0	0	0	0
Financial Liabilities					
LOBO Loans	(5,061)	0	(8,840)	0	(8,840)
Finance Lease obligations	(774)	0	0	(774)	(774)
At 31 March 2022	**(5,835)**	**0**	**(8,840)**	**(774)**	**(9,614)**

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

LOBO Debt and Finance lease liabilities

The fair values of LOBO loans and lease liabilities are measured by calculating the present value of the cash flows relating to principal and interest that will take place over the remaining term of each loan or lease agreement. Cash flows are discounted using a representative interest rate that a market participant would consider indicative of economic conditions at the measurement date.

The interest rates used are derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. Where appropriate 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 LOBO debt assumes the financial liability is transferred to a market participant at the measurement date and would:

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

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

35. Cash Flows from Operating Activities

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

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

	2021/22 £'000	2022/23 £'000
Depreciation	1,606	1,575
Impairments and downward revaluations	(251)	(3)
Amortisations	20	74
Increase/(decrease) in interest creditors	1	0
Increase/(decrease) in creditors	(5)	2,910
(Increase)/decrease in interest and dividend debtors	(11)	80
(Increase)/decrease in debtors	(1,702)	2,822
(Increase)/decrease in inventories	(13)	(23)
Contributions to/from provisions	(1,747)	(208)
Movement in pension liability	2,048	2,180
Carrying amount of non-current assets sold	36	28
Movement in fair value of Investment Property	291	563
	273	**9,998**

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

	2021/22 £'000	2022/23 £'000
Proceeds from short term investments, long-term investments & long-term debtors	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(35)	(31)
Capital grants	(1,075)	(2,268)
	(1,110)	**(2,299)**

35.2 Cash Flows from Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2021/22 £'000	2022/23 £'000
Interest received	18	920
Interest paid	(472)	(432)

36. Cash Flows from Investing Activities

	2021/22 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,999)	(6,492)
Capital grants repaid	(2,009)	0
Purchase of short term and long-term investments	0	(20,000)
Other capital cash receipts	4	4
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	35	31
Proceeds from short term and long-term investments	0	14,970
Capital grants received	3,134	9,557
Net cash flows from investing activities	**835**	**(1,930)**

37. Cash Flows from Financing Activities

	2021/22 £'000	2022/23 £'000
Payments for the reduction of the outstanding liabilities relating to finance leases	(379)	(390)
Other payments for financing activities	-	0
Council Tax and NNDR adjustments	1,801	(8,739)
Agency balances – Accountable Body grants	(1,088)	(1,366)
Covid-19 Funding (grants support to businesses)	3,799	4,678
Net cash flows from financing activities	**4,133**	**(15,173)**

38. Reconciliation of Liabilities arising from Financing Activities

	1 April 2022 £'000	Financing cash flows £'000	Acquisition £'000	Other £'000	31 March 2023 £'000
Long-term borrowings	5,000	0	0	0	5,000
Short term borrowings	61	0	0	0	61
Finance lease liabilities	774	(390)	0	0	384
	5,835	(390)	0	0	5,445
Billing Authorities - Council Tax and NNDR adjustments	309	(8,739)	0	0	(8,430)
Covid-19 funding (grant payments to businesses)	5,155	(4,678)	0	0	477
Accountable Body grants	1,787	(1,366)	0	0	421
Total liabilities from financing activities	**13,086**	**(15,173)**	**0**	**0**	**(2,087)**

	1 April 2021 £'000	Financing cash flows £'000	Acquisition £'000	Other[1] £'000	31 March 2022 £'000
Long-term borrowings	5,000	0	0	0	5,000
Short term borrowings	60	0	0	1	61
Finance lease liabilities	1,153	(379)	0	0	774
	6,213	(379)	0	1	5,835
Billing Authorities - Council Tax and NNDR adjustments	(1,492)	1,801	0	0	309
Covid-19 funding (grant payments to businesses)	1,356	3,799	0	0	5,155
Accountable Body grants	2,875	(1,088)	0	0	1,787
Total liabilities from financing activities	**8,952**	**4,133**	**0**	**1**	**13,086**

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

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

- major preceptors' share of the net cash collected from Council Tax payers and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund for Council Tax income.
- Central Government and the major preceptors' share of the net cash collected from Non-Domestic rating debtors and net cash paid to Central Government and major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund for NNDR income.

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

39. Nature and Extent of Risks Arising from Financial Instruments

39.1 Risk management objectives and policies

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

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

Overall Procedures for Managing Risk

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

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

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

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

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

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

39.2 Credit risk

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

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

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

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

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

With the exception of funds placed with HM Treasury's Debt Management Office for which there is no upper limit, the maximum amount that may be placed with any institution or group of institutions that are part of the same banking group is £5m. The upper limit for Money Market Funds is £10m.

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

The Council's Treasury Management Practices and Annual Investment Strategy specify the types of investment instruments that may be used by the Authority. Permitted instruments are categorised as either "Specified" or "Non-Specified" investments as defined in MHCLGs Investment Guidance to distinguish those instruments offering relatively high security and high liquidity from those with higher credit risk. A limit of 50% of the whole portfolio is be applied to the use of non-specified investments

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

39.3 Impairment of financial assets

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

Trade Receivables

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

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

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

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

	2021/22 £'000	2022/23 £'000
Opening loss allowance as at 1 April (IFRS 9)	(236)	(236)
Loss allowance recognised during the year	(50)	0
Receivables written off during the year	50	5
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	**(236)**	**(231)**

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

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

At 31 March investments held with banks and other financial institutions classified as cash and cash equivalents and short-term investments and measured at amortised cost comprise:

	Credit Rating				
	AA- £'000	A+ £'000	A £'000	A- £'000	Total £'000
At 31 March 2023					
Oversea-Chinese Banking Corp Ltd	5,028				5,028
SMBC Bank International Plc				5,042	5,042
Standard Chartered Bank		5,045			5,045
Bayerische Landesbank				5,041	5,041
Total – short-term investments	**5,028**	**5,045**	**0**	**10,083**	**20,156**
National Westminster Bank		120	0	0	**120**
	5,028	**5,165**	**0**	**10,083**	**20,176**
At 31 March 2022					
Royal Bank of Scotland	-	-	10,216	-	10,216
Lloyds	-	4,990	-	-	4,990
Total – short-term investments	**-**	**4,990**	**10,216**	**-**	**15,206**
National Westminster Bank	-	-	-	-	-
Total	**-**	**4,990**	**10,216**	**-**	**15,206**

Historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard & Poor's, shows the probability of default for assets rated A/AA at between 0.02% and 0.05% (2021-22: 0.02% to 0.05%). The 12-month expected credit loss on these assets at 31 March 2023 and 31 March 2022 is therefore not material.

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

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

At 31 March 2023, the gross carrying amount of long-term debtors measured at amortised cost is £5k (31 March 2022: £6k). The 12-month expected credit loss on these assets at 31 March 2023 and 31 March 2022 is therefore not material.

39.4 Liquidity risk

The Council's policy is to ensure:

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

The Council manages its liquidity needs by:

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

The Council also has ready access to borrowing from the Public Works Loans Board. As a consequence, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council 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.

39.5 Contractual maturity analysis – non-derivative financial liabilities

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

At 31 March 2023	LOBO Loans £'000	Finance Leases £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:					
Under 12 months	(378)	(153)	0	(2,350)	(2,881)
12 months and within 24 months	(378)	(289)	0	0	(667)
24 months and within 5 years	(1,133)	0	0	0	(1,133)
5 years and within 10 years	(1,889)	0	0	0	(1,889)
10 years and within 20 years	(8,399)	0	0	0	(8,399)
20 years and within 30 years	0	0	0	0	0
30 years and within 40 years	0	0	0	0	0
	(12,177)	(442)	0	(2,350)	**(14,969)**
Effect of discounting	7,177	58	0	0	7,235
Interest accrual	(61)	0	0	0	(61)
Balance sheet carrying amount at 31 March 2023	**(5,061)**	**(384)**	**0**	**(2,350)**	**(7,795)**

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

At 31 March 2022	LOBO Loans £'000	Finance Leases £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:					
Under 12 months	(378)	(444)	(450)	(2,311)	(3,583)
12 months and within 24 months	(378)	(373)	0	0	(751)
24 months and within 5 years	(1,133)	(69)	0	0	(1,202)
5 years and within 10 years	(1,889)	0	0	0	(1,889)
10 years and within 20 years	(8,777)	0	0	0	(8,777)
20 years and within 30 years	0	0	0	0	0
30 years and within 40 years	0	0	0	0	0
	(12,555)	(886)	(450)	(2,311)	**16,202**
Effect of discounting	7,555	112	0	0	7,667
Interest accrual	(61)	0	0	0	(61)
Balance sheet carrying amount at 31 March 2022	**(5,061)**	**(774)**	**(450)**	**(2,311)**	**(8,596)**

39.6 Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

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

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

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

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

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

At 31 March 2023 the Council's borrowing comprised a Lender Option Borrower Option (LOBO) loan of £5,000k- excluding accrued interest (31 March 2022: £5,000k). The interest rate on this loan is fixed at 7.55% payable semi-annually. Early repayment of the loan is not permitted. However, the lender has the option on the semi-annual interest repayment dates to alter the interest rate (by giving three business days notice). Where this option is exercised by the lender, the Council has the option to repay, without penalty, the principal (and all accrued interest) on the date the interest is altered, subject to serving notice to the lender.

Price risk

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

40. Related Party Transactions

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

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

Transactions with subsidiaries – Industrial Solutions Hub (ISH) Limited

During the year ending 31 March 2023, the Council made grant payments of £950,000 to Industrial Solutions Hub (ISH) Limited. This total included costs of £128,041 incurred by the Council in relation to the company's activities and a direct payment to the company of £821,959.

41. Contingent Assets and Liabilities

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

Control of the Company has passed to a Scheme Administrator who, after carrying out a review of the assets and liabilities of MMI, advised the creditors of an initial levy rate of 15% on all claims paid to date within the scheme structure which exceeded £50,000 in aggregate. The initial levy rate, set in 2013-14 was subsequently increased to 25% from 1 April 2016. To date, the Council has made levy payments of £123,653 against claim payments of £544,612. At 31 March 2023, no further provision has been made for additional levy payments that would become payable should the Scheme Administrator increase the levy rate further. In the event that the levy rate is increased, the maximum additional levy payable by the Council is £370,959 (31.3.22: £370,359).

42. Events after the Balance Sheet Date

The Statement of Accounts was certified by the Chief Finance Officer of Cumberland Council, (Catherine Bell) on 27 February 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 2023, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

Local Government reorganisation

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

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

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

Collection Fund

Income and Expenditure Account 2022/23

	2022/23			2021/22		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
INCOME						
Council Tax Receivable	(44,393)		(44,393)	(42,955)		(42,955)
Non-Domestic Rates Receivable		(29,080)	(29,080)		(37,400)	(37,400)
Contribution to previous year's deficit Central Government					(2,509)	(2,509)
Cumbria County Council					(502)	(502)
Copeland Borough Council					(2,007)	(2,007)
Total Income	**(44,393)**	**(29,080)**	**(73,473)**	**(42,955)**	**(42,418)**	**(85,373)**
EXPENDITURE						
Council Tax Precepts and demands						
Cumbria County Council	31,860		31,860	31,118		31,118
Police and Crime Commissioner	5,883		5,883	5,653		5,653
Copeland Borough Council	5,748		5,748	5,584		5,584
Distribution of previous year's surplus						
Cumbria County Council	561		561	11		11
Police & Crime Commissioner for Cumbria	102		102	2		2
Copeland Borough Council	101		101	2		2
Shares of Non-Domestic Rates paid to:						
Central Government		18,015	18,015		18,103	18,103
Cumbria County Council		3,603	3,603		3,621	3,621
Copeland Borough Council		14,411	14,411		14,483	14,483
Distribution of previous year's surplus						
Central Government		1,228	1,228			
Cumbria County Council		246	246			
Copeland Borough Council		983	983			
Cost of Collection		104	104		103	103
Disregarded Amounts		76	76		79	79
Transitional Protection Payments		4,282	4,282		2,017	2,017
Impairment of debts/appeals						
Movement in allowance for impairments	640	462	1,102	694	116	810
Write offs of uncollectable amounts	0	0	0	0	0	0
Movement the provision for appeals		(520)	(520)		(4,367)	(4,367)
Total Expenditure	**44,895**	**42,890**	**87,785**	**43,064**	**34,155**	**77,219**
(Surplus) / Deficit for the year	**502**	**13,810**	**14,312**	**109**	**(8,263)**	**(8,154)**
(Surplus) / Deficit at 1 April	(192)	(2,441)	(2,633)	(301)	5,822	5,521
(Surplus) / Deficit at 31 March	**310**	**11,369**	**11,679**	**(192)**	**(2,441)**	**(2,633)**

Notes to the Collection Fund Account

1. General

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

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

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

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

2. Council Tax

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

The Council Tax base for 2022-23 was 20,850.75 (20,772.12 for 2021-22), 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% (2021-22: 98%).

The tax base was calculated as follows:

Band	Proportion	2022/23		2021/22	
		Number of Properties	Band D Equivalent Dwellings	Number of Properties	Band D Equivalent Dwellings
A Disabled	5/9	76.50	42.50	85.25	47.36
A	6/9	16,899.75	11,266.50	16,938.75	11,292.49
B	7/9	4,249.00	3,304.78	4,261.25	3,314.31
C	8/9	3,844.00	3,416.89	3,861.00	3,432.01
D	9/9	3,127.50	3,127.50	3,075.50	3,075.50
E	11/9	1,823.50	2,228.72	1,816.25	2,219.88
F	13/9	419.75	606.31	420.25	607.02
G	15/9	87.75	146.25	87.75	146.26
H	18/9	9.50	19.00	9.50	19.00
Total			**24,158.45**		**24,153.85**
Allowance for discounts			2,882.17		2,957.81
Total Equivalent Chargeable Dwellings			21,276.28		21,196.04
Tax Base at 98% Collection Rate			**20,850.75**		**20,772.12**

The basic amount of Council Tax for a Band D property of £2,028.72 (£1,984.59 for 2021-22) is multiplied by the proportion specified for the particular band to give an individual amount due.

3. National Non-Domestic Rates (NNDR)

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

The national multipliers for 2022-23 were 49.9p (2021-22: 49.9p) for qualifying Small Businesses, and 51.2p for all other businesses (2021-22: 51.2p).

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

For 2022-23, the total non-domestic rateable value at the year-end was £81.074m (2021-22: £84.522m).

Group Comprehensive Income and Expenditure Statement

2021/22					2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,788	(2,771)	5,017	Corporate Services		5,656	(973)	4,683
3,490	(2,260)	1,230	Customer and Community Services		4,404	(2,443)	1,961
657	(180)	477	Democracy		477	(25)	452
3,228	(2,110)	1,118	Housing and Environmental Health		4,600	(1,775)	2.825
2,689	(1,266)	1,423	Planning and Economic Development		3,049	(1,750)	1,299
1,120	(556)	564	Property and Estates		909	(100)	809
4,438	(1,726)	2,712	Refuse and Recycling		5,215	(1,805)	3,410
13,439	(12,744)	695	Revenues and Benefits		13,035	(12,246)	789
927	(1,912)	(985)	All Other		904	(1,714)	(810)
37,776	**(25,525)**	**12,251**	**Net Cost of Services**		**38,249**	**(22,831)**	**15,418**
1,191	0	1,191	Other Operating Income and Expenditure	8	1,258	(2)	1,256
1,434	(119)	1,315	Financing and Investment Income and Expenditure	9	1,658	(1,041)	617
0	(12,780)	(12,780)	Taxation and Non-Specific Grant Income	10	0	(10,550)	(10,550)
40,401	**(38,424)**	**1,977**	**(Surplus) or Deficit on Provisions of Services**		**41,165**	**(34,424)**	**6,741**
		(1,139)	(Surplus)/Deficit on revaluation of non-current assets	18			(1,563)
		(7,723)	Re-measurement of the net defined benefit liability/(asset)	31			(26,211)
		(8,862)	**Other Comprehensive Income & Expenditure**				**(27,774)**
		(6,885)	**Total Comprehensive Income & Expenditure**				**(21,033)**

Group Movement in Reserves Statement

	Note	General Fund Balance £'000	Capital: Capital Receipts Reserve £'000	Capital: Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Group Reserves £'000	Total Reserves £'000
Balance at 1 April 2021		**(16,068)**	**(3,460)**	**(3,859)**	**(23,387)**	**1,741**	**(21,646)**	**0**	**(21,646)**
Movement in reserves during 2021-22									
Surplus or (deficit) on the Provision of Services		1,977	0	0	**1,977**	0	**1,977**	**0**	**1,977**
Other Comprehensive Income and Expenditure		0	0	0	**0**	(8,862)	**(8,862)**	**0**	**(8,862)**
Total Comprehensive Income and Expenditure		**1,977**	**0**	**0**	**1,977**	**(8,862**	**(6,885)**	**0**	**(6,885)**
Adjustments between Group and Authority Only Accounts		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Adjustments between accounting basis and funding basis under regulations	15	(1,252)	698	976	**422**	(422)	0	0	0
Increase or Decrease in 2021-22		**725**	**698**	**976**	**2,399**	**(9,284)**	**(6,885)**	**0**	**(6,885)**
Balance at 1 April 2022		**(15,343)**	**(2,762)**	**(2,883)**	**(20,988)**	**(7,543)**	**(28,531)**	**0**	**(28,531**
Movement in reserves during 2022-23									
Surplus or (deficit) on the Provision of Services		6,367	0	0	**6,367**	0	**6,367**	**374**	**6,741**
Other Comprehensive Income and Expenditure		0	0	0	**0**	(27,774)	**(27,774)**	**0**	**(27,774)**
Total Comprehensive Income and Expenditure		**6,367**	**0**	**0**	**6,367**	**(27,774)**	**(21,407)**	**374**	**(21,033)**
Adjustments between Group and Authority Only Accounts	G.3	822	0	0	**822**	0	**822**	(822)	0
Adjustments between accounting basis and funding basis under regulations	15	(8,996)	326	281	**(8,389)**	**8,389**	0	0	0
Increase or Decrease in 2022-23		**(1,807)**	**326**	**281**	**(1,200)**	**(19,385)**	**(20,585)**	**(448)**	**(21,033)**
Balance at 31 March 2023	G.4	**(17,152)**	**(2,437)**	**(2,601)**	**(22,190)**	**(26,926)**	**(49,116)**	**(448)**	**(49,564)**

Group Balance Sheet

31 March 2022 £'000		Note	31 March 2023 £'000
21,558	Property, Plant & Equipment	18	27,391
2,328	Heritage Assets	19	2,328
11,382	Investment Property	20	10,819
313	Intangible Assets	21	239
6	Long Term Debtors	24	5
35,587	**Long Term (Non-Current) Assets**		**40,782**
15,206	Short Term Investments	23	20,156
0	Assets Held for Sale		0
91	Inventories		114
9,567	Short Term Debtors	24	13,359
18,019	Cash and Cash Equivalents	G.5	1,538
42,883	**Current Assets**		**35,143**
(450)	Bank Overdraft	26	0
(15,431)	Short Term Creditors	G.6	(8,701)
(3,056)	Contract and Other liabilities	28	(11,022)
(61)	Short Term Borrowing	29	(61)
(845)	Provisions	30	(637)
(19,843)	**Current Liabilities**		**(20,421)**
(5,000)	Long Term Borrowing	29	(5,000)
(24,712)	Net Pensions Liability	31	(681)
(384)	Other Long-Term Liabilities	32	(259)
(30,096)	**Long Term Liabilities**		**(5,940)**
28,531	**Net Assets**		**49,564**
(20,988)	Usable Reserves	G.4	(22,636)
(7,543)	Unusable Reserves	G.4	(26,928)
(28,531)	**Total Reserves**		**(49,564)**

Group Cash Flow Statement

2021/22 £'000		Note	2022/23 £'000
(1,977)	**Net surplus or (deficit) on the provision of services**		**(6,741)**
273	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G.8	10,112
(1,110)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(2,299)
(2,814)	**Net cash flows from operating activities**		**1,072**
(835)	Investing Activities	36	(1,930)
4,133	Financing activities	37	(15,173)
484	**Net increase or (decrease) in cash and cash equivalents**		**(16,031)**
17,085	Cash and cash equivalents at the beginning of the reporting period		17,569
17,569	**Cash and cash equivalents at the end of the reporting period**		**1,538**

G1. Expenditure and Funding Analysis

	2022/23		
	Net Expenditure Chargeable to the General Fund Balance (statutory basis) **£'000**	**Adjustments between Funding and Accounting Basis** **£'000**	**Net Expenditure in Comprehensive Income & Expenditure Statement** (accounting basis) **£'000**
Corporate Services	2,859	1,824	4,683
Customer & Community Services	673	1,288	1,961
Democracy	421	31	452
Housing and Environmental Health	2,589	236	2,825
Planning and Economic Development	734	565	1,299
Property and Estates	438	371	809
Refuse and Recycling	3,077	333	3,410
Revenues and Benefits	663	126	789
All Other	(370)	(440)	(810)
Net Cost of Services	**11,084**	**4,334**	**15,418**
Other Income and Expenditure	(12,891)	4,214	(8,677)
(Surplus) or Deficit on Provision of Services	**(1,807)**	**8,548**	**6,741**
Opening General Fund Balance	**(15,343)**		
(Surplus)/Deficit on General Fund in year	(1,807)		
Closing General Fund Balance at 31 March	**(17,150)**		

G1.1 Adjustments between the Funding and Accounting Basis

2022/23	**Statutory Accounting Adjustments**					
	Adjustments for Capital Purposes (Note 6.1b) **£000**	**Net Change for Pensions Adjustments** (Note 6.1c) **£000**	**Total** **£000**	**Reallocation Adjustments** (Note 6.1e) **£000**	**Consolidation adjustments** **£000**	**Total** **£000**
Corporate Services	1,138	230	2	454	0	1,824
Customer and Community Services	1,048	234	6	0	0	1,288
Democracy	4	26	1	0	0	31
Housing and Environmental Health	20	212	4	0	0	236
Planning and Economic Development	376	186	3	0	0	565
Property and Estates	124	45	1	201	0	371
Refuse and Recycling	(29)	350	12	0	0	333
Revenues and Benefits	182	131	2	(189)	0	126
All Other	0	37	2	(31)	(448)	(440)
Net Cost of Services	**2,863**	**1,451**	**33**	**435**	**(448)**	**4,334**
Other income and expenditure from Expenditure and Funding Analysis	(1,650)	729	5,570	(435)	0	4,214
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**1,213**	**2,180**	**5,603**	**0**	**(448)**	**8,548**

G2. Expenditure and Income analysed by Nature

Group expenditure and income is analysed as follows:

	2021/22 £'000	2022/23 £'000
Expenditure		
Employee benefits expenses	12,068	13,566
Other services expenses	24,394	23,104
Depreciation, amortisation, revaluation and impairment	1,375	1,646
Interest payments & contingent rents	473	432
Net interest on defined benefit pension liability	620	663
Precepts and levies	1,130	1,191
Impairment of financial assets (credit losses)	50	0
Decrease in fair value of investment properties	291	563
Loss on disposal of non-current assets	0	0
Total Expenditure	**40,401**	**41,165**
Income		
Fees, charges and other service income	(5,724)	(5,255)
Increase in fair value of investment properties	0	0
Gain on disposal of non-current assets	0	(2)
Interest and Investment income	(29)	(840)
Income and Expenditure relating to investment properties	(90)	(201)
Income from council tax and non-domestic rates	(8,932)	(6,208)
Government grants and contributions	(23,649)	(21,918)
Total Income	**(38,424)**	**(34,424)**
Surplus or Deficit on the Provision of Services	**1,977**	**6,741**

G3. Adjustments between Group Accounts and Authority only Accounts

	2021/22 £'000	2022/23 £'000
Elimination of Intra- group transactions	0	822
	0	**822**

G4. Group Reserves

Group reserves comprise the Councils share of the reserves of subsidiaries, associates and joint ventures.

	31 March 2022 £'000	31 March 2023 £'000
Usable Reserves		
Usable Reserves – Authority Only Statements (note 16)	(20,988)	(22,188)
Earmarked Reserves – Group Only	0	(448)
	(20,988)	**(22,636)**
Unusable Reserves		
Unusable Reserves - Authority Only Statements (note 17)	(7,543)	(26,928)
	(28,531)	**(49,564)**

G.5 Cash and Cash Equivalents

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

	31 March 2022 £'000	31 March 2023 £'000
Cash in hand	2	2
Bank current accounts	0	682
Money Market Funds	18,017	854
Total Cash and Cash Equivalents (balance sheet)	**18,019**	**1,538**
Bank Overdraft	(450)	0
Cash and Cash Equivalents (cash flow statement)	**17,569**	**1,538**

G.6 Short-term Creditors

	31 March 2022 £'000	31 March 2023 £'000
Trade Payables	(1,445)	(2,146)
Other payables	(13,339)	(6,139)
Other Taxation and Social Security	0	(2)
Unpaid Holiday Pay	(257)	(289)
Finance lease liabilities	(390)	(125)
Total	**(15,431)**	**(8,701)**

G.7 Financial Instruments

G7.1 Categories of Financial Instruments

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

Financial Assets

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £000	Total for line item £'000
At 31 March 2023					
Long-term debtors	24	5	0	0	5
Short-term investments	23	20,156	0	0	20,156
Short-term debtors	24	305	0	13,030	13,335
Cash & cash equivalents	G.5	684	854	0	1,538
Total for category		**21,150**	**854**	**13,030**	**35,034**

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 lease liabilities £000	Other Non IFRS 9 financial liabilities £000	Total for line item £'000
At 31 March 2023					
Bank overdraft	26	0		0	0
Short-term creditors	G.6	(2,462)	(125)	(6,114)	(8,701)
Short-term borrowing	29	(61)	0	0	(61)
Long-term borrowing	29	(5,000)	0	0	(5,000)
Other Long-term liabilities	32	0	(259)	0	(259)
Total for category		**(7,523)**	**(384)**	**(6,114)**	**(14,021)**

G.8 Cash Flows from Operating Activities

G8.1 Reconciliation of Net Surplus or (Deficit) on the Provision of Services to the Net Cash Flow from operating activities

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

	2021/22 £'000	2022/23 £'000
Depreciation	1,606	1,575
Impairments and downward revaluations	(251)	(3)
Amortisations	20	74
Increase/(decrease) in interest creditors	1	0
Increase/(decrease) in creditors	(5)	3,024
(Increase)/decrease in interest and dividend debtors	(11)	80
(Increase)/decrease in debtors	(1,702)	2,822
(Increase)/decrease in inventories	(13)	(23)
Contributions to/from provisions	(1,747)	(208)
Movement in pension liability	2,048	2,180
Carrying amount of non-current assets sold	36	28
Movement in fair value of Investment Property	291	563
	273	**10,112**

G.9 Interest in Subsidiaries

Industrial Solutions Hub (ISH) Limited

The Council is the ultimate controlling party of Industrial Solutions Hub (ISH) Limited a company limited by guarantee without a share capital. Incorporated in the United Kingdom on 12 July 2022, the company’s primary activity is the industrial cluster initiative of regional national and international significance.

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

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- supplies are recorded as expenditure when they are consumed; when there is a delay between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where circumstances indicate that debts may not be settled, the balance of debtors is written down and a charge made to revenue within the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement, for the income that might not be collected.
- where payments received from service recipients exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the balance sheet under contract and other liabilities.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in less than 3 months from the date of acquisition and that are readily converted to known amounts of cash with insignificant risk of change of value. In the Cash Flow Statement, cash and equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

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

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

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

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

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

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 debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

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

5. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NNDR) on behalf of the major preceptors (including the Government for NNDR) and, as principals, collecting Council Tax and 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 NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and the Government share proportionately the risks and the rewards that the amount of Council Tax and Non-Domestic Rates collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates (NNDR)

Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Non-Domestic Rates that must be included in the Council's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and 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 due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

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

Termination Benefits

Termination benefits are amounts payable as a result of either:

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

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

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

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

Post-employment Benefits

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

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

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

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

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

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

(i) Service cost comprising:

- current service cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Council in the number of employees covered by a plan)
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. 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 contribution 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 the net defined benefit liability (asset). Interest cost on the current service cost is included in the current service cost component.

(ii) Remeasurements comprising:

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

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

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

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

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

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

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

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

Discretionary Benefits

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

7. Events After the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (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; and

(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 Council becomes a party to the contractual provisions of the financial instrument.

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

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

Financial assets and financial liabilities are initially measured at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and transaction costs expensed. Immaterial transaction costs on initial recognition are written off immediately to Surplus or Deficit on the Provision of Services. Trade receivables that do not contain a significant financing component and are initially measured at their transaction price (as defined in IFRS 15 *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 gain or loss arising on derecognition or modification are included in the Financing and Investment Income and Expenditure (FIIE) line in the Comprehensive Income and Expenditure Statement (CIES).

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

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

Modification of the terms of a financial asset

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

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

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

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

These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, and impairment gains and losses (determined in the same manner as for financial assets measured at amortised cost) are recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and 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.

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 Council has not irrevocably elected to classify at fair value through other comprehensive income, money market funds and debt instruments that do not meet the SPPI criterion.

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

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

Impairment of financial assets (expected credit loss model)

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

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

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

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

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

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

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

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

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

For debt instruments considered to have a low credit risk at the reporting date, the Council measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Council considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. Financial instruments to which this practical expedient applies includes debt instruments classified as cash and cash equivalents.

For purchased or originated credit-impaired financial assets, only the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Council considers all reasonable and supportable information (quantitative and qualitative) that is relevant and available without undue cost or effort. This includes historical experience, informed credit assessment and forward-looking information.

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

The Council considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor
- contractual payments are more than 90 days past due (unless the Council has reasonable and supportable information that demonstrates otherwise)
- internal or external information indicates the Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Council.

Credit-impaired financial assets

At each reporting date, the Council assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 90 days past due

- the restructuring of a loan or advance by the Council on terms that the Council would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the Balance Sheet

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

Write-off

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

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Expected Credit Losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

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

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

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

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

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

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

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

Financial Liabilities

Classification and measurement

The Council's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

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

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

Where premiums and discounts arising from the early repayment of loans have been charged to the Comprehensive Income and Expenditure Statement (rather than being accounted for as an adjustment to the carrying amount of the financial liability), regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amount charged or credited to the General Fund and the amount charged or credited to the Comprehensive Income and Expenditure Statement is reconciled by a transfer to the Financial Instruments Adjustment Account (FIAA) within the Movement in Reserves Statement.

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 Council expects to receive from the holder, the debtor or any other party.

Financial guarantees entered into before 1 April 2006

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are instead reflected in the Statement of Accounts only to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to finance capital expenditure.

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

10. Heritage Assets

Tangible and Intangible Heritage Assets

Recognition

Tangible heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible Heritage Assets are those assets with cultural, environmental, or historical significance. Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets and valued in the same way as other assets of that type.

The Council's heritage assets consist of:

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

Measurement

Heritage assets are recognised on the Council's Balance Sheet where it has information on cost or value. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised.

Acquisitions of heritage assets are initially recognised at cost or if bequeathed or donated, at fair value as at the date of acquisition.

Subsequent to initial recognition, heritage assets are measured at valuation using a method of valuation that is relevant and appropriate (for example insurance valuations). Where it is not practicable to obtain a valuation (at a cost which is commensurate with the benefits to users of the financial statements), and cost information is available, the assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Heritage assets recognised on the Council's Balance Sheet are measured using the following bases:

- civic regalia – insurance value reflecting current replacement cost
- paintings and fine arts (the Copeland Collection) - included on the balance sheet at insurance valuation; lower value items are reported in the Balance Sheet at historic cost. Low value items for which historic cost information is not available are not recognised on the Balance Sheet.
- museum collections - insurance values based on open market replacement cost for items of a comparable nature, age and condition; low value items, with an estimated value of less than £500 are not recognised in the Balance Sheet
- intangible heritage assets - historical cost (less any accumulated depreciation, amortisation and impairment losses).

Information on cost or value is not available for heritage buildings or structures. Accordingly, except for expenditure incurred on the acquisition, creation or enhancement of these assets on or after 1 April 2010, these assets are not reported as assets in the balance sheet.

Revaluation Gains and Losses

Where heritage assets are measured at valuation, there is no prescribed minimum period between valuations. The carrying amount is however reviewed with sufficient frequency to ensure that valuations remain current.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services.

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

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

Preservation Costs

Expenditure which, in the Council’s view, is required to preserve or clearly prevent further deterioration of individual collection items, is recognised in the Surplus or Deficit on the Provision of Services when it is incurred.

Depreciation and Amortisation

The majority of the Council’s tangible heritage assets have indefinite lives and therefore the Council does not consider it appropriate to charge depreciation. Where a useful life can be identified, straight line depreciation is applied.

Amortisation is provided for in relation to the Council’s intangible heritage assets by allocating the value of the asset in the balance sheet to the period expected to benefit from its use.

Impairment

The values of heritage assets are reviewed at the end of each financial year for evidence of impairment; for example where an item has suffered physical deterioration or breakage or where doubt arises over its authenticity. Impairment losses are accounted for in accordance with the recognition and measurement requirements set out in sections 16- Property, Plant and Equipment and 11- Intangible Assets.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not 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 £10k) the Capital Receipts Reserve.

12. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in-first-out (FIFO) or weighted average costing formula.

13. Investment Property

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

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

Investment properties are not depreciated but are valued annually according to market conditions at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Under statutory accounting arrangements, gains or losses resulting from the revaluation or disposal of investment property are not proper charges to the General

Fund. Such amounts are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- the amount applied to write down the lease liability, and
- the finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

The Council is however required to make an annual contribution, from revenue, towards the deemed capital cost of expenditure funded by credit arrangements such as on-balance sheet leasing arrangements. This contribution is known as the

Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property, or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line (PPE or Assets Held for Sale) or Financing and Investment Income and Expenditure line (Investment Property) in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

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

15. Overheads and Support Services

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

16. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item(s) and restoring the site on which it is or they are located.

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

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account.

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, each component is depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (PPE) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification except where the asset is normally measured at depreciated historical cost) and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset (or component of an asset) is disposed of or decommissioned, the carrying value of the asset (or component) in the Balance Sheet (whether Property, Plant and Equipment or Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where it is not practicable to determine the carrying of a replaced or restored component of an asset, the Council uses the cost of the replacement component to estimate the cost of the replaced component at the time it was acquired or constructed (adjusted for depreciation and impairment if required).

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can only be used for new capital investment, pay the poolable amount of any housing receipts or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Capital receipts arising from disposals are therefore appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Council has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the conditions for recognition are met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income if it is virtually certain that reimbursements will be received if the Council settles the obligation.

Contingent Liabilities

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

- it is not probable that an outflow of economic benefits or service potential resources will be required, or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made from the earmarked reserve to the Un-earmarked General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement benefits and employee benefits. These reserves do not represent usable resources for the Council.

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

Expenditure required to be treated as capital expenditure under statutory provisions, but which does not result in the creation of non-current assets, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from capital resources or by borrowing, the amount charged to services is reversed out by way of a transfer from the General Fund balance to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

20. Value Added Tax (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.

21. Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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 Council uses valuation techniques to measure fair value that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities where fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the lowest level input to valuation techniques that is significant to the fair value measurement as a whole:

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

For the purpose of fair value disclosures, the Council has determined appropriate classes of assets and liabilities on the basis of (a) the nature, characteristics and risks of the asset or liability; and (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Additional accounting policies relevant to the preparation of the Group Accounts

22. Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, controlled by the Authority. The Council controls an entity when it has:

- power over the investee i.e. existing rights that give it the current ability to direct the relevant activities of the investee
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

The Council re-assesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above.

Where the Council holds more than half of the voting rights of another entity, the Authority has power over that entity where:

- the relevant activities of the entity are directed by a vote of the holder of the majority of the voting rights; or
- the majority of the members of the governing body that directs the relevant activities are appointed by a vote of the holder of the majority of the voting rights, unless the voting rights held are not substantive or do not otherwise provide the Council with the current ability to direct the relevant activities of the entity.

Where the Council holds less than the majority of the voting rights of an entity, the Council considers all relevant facts and circumstances in assessing whether or not voting rights in an investee are sufficient to give it power, including:

- the size of the Council's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- contractual arrangements between the Council and other vote holders
- potential voting rights held by the Council that are substantive
- rights arising from other contractual arrangements
- any additional facts and circumstances that indicate that the Council has, or does not have the current ability to direct the relevant activities of the investee.

Within the Group Accounts, like items of assets, liabilities, reserves, income, expenses and cash flows of the Council are aggregated, on a line by line basis, with those of its subsidiaries and the carrying amount of the Council's investment in each subsidiary eliminated against the Authority's share of the reserves of each subsidiary. On consolidation, intra-group balances and transactions and any unrealised gains and losses on transactions between group entities, are eliminated in full.

The surplus or deficit on the provision of services and each component of other comprehensive income and expenditure, are attributed to the Council and to the minority interests (non-controlling interest) - even if this results in the minority interests having a deficit balance. The amounts attributed are determined on the basis of the relative ownership interests in the entity of the Council and the minority interest, unless there are contractual arrangements that determine the attribution of earnings. Minority interests are presented separately in the group balance sheet in (unusable) reserves.

Consolidation of a subsidiary begins when the Council obtains control over the subsidiary and ceases when the Council loses control of the subsidiary. Income and expenditure of a subsidiary acquired or disposed of during the year are included in the group accounts from the date the Council gains control or until the date the Council ceases to control the subsidiary, as appropriate. Income and expenses of a subsidiary are based on the values of the assets and liabilities recognised in the group accounts at the date of acquisition.

Annual Governance Statement 2022/23

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

Vision for Copeland

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

The Copeland Vision 2040 set out the Council's vision for Copeland, which was to be:

- A globally recognised place of innovation and opportunity.
- A major clean energy hub for the UK.
- A sustainable place, with a resilient economy that supported thriving communities.

Scope of Responsibility

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council had a set best value duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which included arrangements for the management of risk.

What is Corporate Governance?

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

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

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

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

The purpose of the Governance Framework

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

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

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

Review of Effectiveness

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

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

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

Principles of Good Governance

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

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

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

Copeland Borough Council's Governance Framework

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

Full Council

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

Council's Executive

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

Head of Paid Service

The Head of Paid Service was responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing Act 1989. This responsibility was held by the Chief Executive. The Chief Executive left the Council's employment in November 2022 after which the Director of Financial Resources was appointed the Interim Chief Executive and Head of Paid Service until dissolution of the council in March 2023.

Section 151 Officer

The Section 151 Officer had statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. This responsibility was held by the Director of Financial Resources until their temporary appointment as interim Chief Executive. The Strategic Finance Accountant was appointed as the Section 151 Officer from December 2022 until dissolution of the Council in March 2023.

Monitoring Officer

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

During the period of the Annual Governance Statement 2021/22 this responsibility was held by the Director of Corporate Services and Commercial Strategy until their departure during 2022/23. The Head of Legal Services was appointed Interim Monitoring Officer until dissolution of the Council in March 2023.

Corporate Leadership Team

The Corporate Leadership Team (CLT) acted as the organisation's overall `management board', providing strategic direction to enable the business of the Authority to be undertaken. CLT provided ultimate assurance to the executive and non-executive Members in relation to the governance arrangements in place. The Annual Governance Statement is reviewed by CLT as part of the production of this statement.

Due to the departures of the Chief Executive and Corporate Director of Corporate Services & Commercial Strategy, an interim extended CLT was formed comprising the Interim Chief Executive, Head of Housing & Social Inclusion, Head of Planning and Place, Head of Environment & Community and Head of Public Protection. The board was also advised on by the Head of Human Resources, Section 151 Officer and Monitoring Officer. This arrangement was in place until the Council's dissolution in March 2023.

Audit Committee

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

Overview and Scrutiny Committee

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

Internal Audit

Internal Audit played a key role in the assessment of the control environment within the Council. Although part of the Council's overall framework, Internal Audit is not a substitute for effective internal control. Responsibility for the Internal Audit Service was with the Head of Internal Audit. A Head of Internal Audit was appointed in April 2022 in a shared arrangement with Allerdale Borough Council and Carlisle City Council.

External Audit

Officers met regularly with the External Audit team from Grant Thornton, who also attended the Audit Committee. Action plans were formulated to address any formal recommendations raised by them. The views of the external auditors were expressed through their annual audit letter, the most recent being the Annual Audit Letter dated March 2024 for the years 2020/21, 2021/22 and 2022/23.

The Local Code of Corporate Governance

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

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

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law. Copeland Borough Council's governance framework demonstrated this through:

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

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

Copeland Borough Council's governance framework demonstrated this through:

- Elected Mayor's Public Meetings and online podcasts.
- Engagement with Trade Unions.
- Overview & Scrutiny Committee Meeting Minutes, Task Groups and Work Plan.
- Public Engagement / Consultation.
- Website publication of information and documents.
- Corporate Plan.

- Joint Strategic Needs Assessment.
- Public and officer consultations.
- Employee Surveys.
- Member Communications / Briefings.
- Staff “Copeland Chat”.
- Annual Budget public consultation.
- Corporate Communications Strategy.
- Publishing of agenda and minutes.
- Committee Forward Plans.

Communication

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

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

The Communications team supported departments to keep communities informed of any changes and improvements to its services and plays a key role in disseminating Government information. During 2022/23 communications were largely focused on local government reorganisation.

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

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

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

Copeland Borough Council’s governance framework demonstrated this through:

- Corporate Strategy.
- Copeland Growth Strategy.
- Service Plans.
- Public consultation during annual budget process.
- Medium Term Financial Strategy (MTFS).
- External Audit Review.
- Audit Committee.
- Risk Management strategy.

- Performance and KPI reporting.
- Key national data e.g. the Census and Indices of Deprivation.
- Joint Strategic Needs Assessment.
- Employee surveys.
- Consideration of Climate and Environmental Impact in decision making.
- Adherence to government protocols and guidance relating to Covid 19.

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

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

Copeland Borough Council's governance framework demonstrated this through:

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

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

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

Copeland Borough Council's governance framework demonstrated this through:

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

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

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

Copeland Borough Council's governance framework demonstrated this through:

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

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

Performance and Risk Management

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

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

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

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

Copeland Borough Council's governance framework demonstrated this through:

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

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

Governance issues

Annual Head of Internal Audit Opinion 2022/23

One of the key assurance statements the Council received was the annual report and opinion of the Head of Internal Audit. The opinion for 2022-23 was presented to Copeland's Audit Committee in March 2023 and Cumberland Council's Committee in June 2024, before a final opinion was published to Cumberland's Audit Committee in November 2024.

The opinion concludes that partial assurances were in place over the overall effectiveness of the Council's risk management, control and governance processes, with the following issues raised:

- Significant control concerns raised in statutory reports previously issued by External Auditors remaining live.
- Significant delays in completion of financial accounts.
- Difficulties retaining resource, particularly in key senior positions within the authority and the subsequent impact on audit findings (including Risk Management).

This opinion was prepared in accordance with the CIPFA Statement on the Role of the Head of Internal Audit (2010). All audit opinions reported were considered and challenged by Chief Officers and the Audit Committee

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

An External Quality Assessment (EQA) in September 2021 concluded that Internal Audit only partially conformed with the PSIAS (Public Sector Internal Audit Standards). Weaknesses identified in the EQA were addressed following the appointment of a new Head of Internal Audit in April 2022, who introduced a methodology found to be compliant with the PSIAS when implemented at other local government organisations. No further EQA was performed at Copeland, but progress against previous recommendations were reported to the Audit Committee on a regular basis during 2022/23. As at March 2024 some improvement areas remained in reporting Internal Audit recommendations, training, embedding quality assurance and engaging senior management in the audit planning process.

External Audit reports

Section 24 reports

As well as responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, the External Auditors Grant Thornton have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. They concluded that it was appropriate to use their powers to make written recommendations under section 24 of the Act, due to inadequate arrangements and capacity at the Council to prepare reliable financial statements by the statutory deadline and concerns regarding the Council's timely implementation of actions to address internal control weakness.

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

February 2021

1. The Council should put in place robust arrangements for the production of the 2018/19, 2019/20 and 2020/21 financial statements, which meet statutory requirements and international financial reporting standards.
2. Implement outstanding audit recommendations and Annual Governance Statement governance related weaknesses and actions, especially those related to ICT and business continuity, and regularly update management and members with progress and implementation of improved controls.
3. Carry out independent Internal Audit and Audit Committee effectiveness reviews to assess their impact on improving the Council's internal control environment.

March 2022

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

5. Immediate action is required to strengthen the Council's internal governance arrangements, especially its Internal Audit service and Audit Committee effectiveness.

The Council developed a composite action plan to address these recommendations. and progress on implementation was regularly reported to the Audit Committee and was also subject to an internal audit in 2022/23, which provided reasonable assurances that actions were being implemented and monitored.

As part of their ongoing review of governance arrangements the external auditors identified that some of the issues raised in the statutory reports still remained, as summarised below:

- The budget includes a gap of £3.99M for 2023/24, which has been inherited by Cumberland Council.
- An external borrowing risk to fund the current Capital, which has been inherited by Cumberland Council.
- Further improvements required to both Internal Audit and the Audit Committee.
- Weaknesses in the ICT control environment.

These remaining weaknesses were included in the 2022/23 VFM opinion (see next section).

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

As part of their audit findings report issued in March 2024 the Council's external auditors identified and agreed with management 14 recommendations to address their findings with regard to value for money (VFM). This report also considered progress made against recommendations included in the statutory reports. These recommendations relate to the outstanding governance arrangements to be addressed and are appended to this statement.

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

Capitalisation Directives & External Assurance Review

On 2nd September 2020 the Council applied to the Department for Levelling up, Housing and Communities (DLUHC) for exceptional financial support in respect of financial pressures to balance the 2021/22 and 2022/23 revenue budgets. On 17th March 2022 DLUHC approved the request for 2021/22 and provided the Council with a capitalisation direction to fund revenue expenditure incurred by the Council of up to £1.5m. The Department also provisionally agreed a similar level of support for the financial year 2022/23, subject to a number of conditions including the Council incorporating the recommendations of the external assurance review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021, the s24 statutory recommendations issued by Grant Thornton in 2020 and the 2022 statutory recommendations from Grant Thornton Auditors into an integrated action plan and makes good progress towards responding to these, engaging with and providing quarterly updates to the Department for Levelling Up, Housing and Communities on their progress towards fulfilling these recommendations. The recommendations arising from the external assurance review conducted by the CIPFA are set out below:

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

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

   The Council’s £33m planned borrowing (which is planned to be match funded, from savings or additional income and in some cases, levelling up and town deals) will need to be refreshed and aligned with a revised MTFS to capture the affordability of these programmes. Currently the time horizon of the capital programme exceeds the MTFS in planning terms. This will need to be aligned and factor in LGR to further demonstrate affordability of the schemes and the timings of planned capital expenditure with LGR. Whilst we do not believe LGR should hinder investment in services, there must be a transparency of the affordability of the programmes over a longer time horizon. LGR will also need to examine the potential efficiencies in service delivery and the impact on Copeland’s citizens, noting that the transformative elements of the LGR programme in Cumbria are likely to occur post rather than pre-vesting day.
4. The Council should consider the use of integrated reporting that considers financial performance alongside service performance targets, selected demographic and other contextual analysis and staffing KPIs. This can help members and the public to consider financial resources in the context of wider

value for money and effectiveness. However, this should be considered in the context of LGR and future reporting structures post LGR.

5. The MTFS recognises the additional costs of LGR and how these costs will be funded through the period. There is a lack of explicit information in the MTFS to recognise these additional costs.
6. The impact of MRP to finance capital expenditure (incurred in future years) will be significant given the scale of the capital programme relative to core spending power and compensating additional income / savings. This should be made clear with scenarios factored in and adequate risk management to control these costs.
7. In the build up to Local Government Reform, the Council should consider collaborative working with future Councils included within the new East / West proposed structures. This will provide more capacity to manage reform and ease the process.
8. Members must be aware of the financial challenges and the impending challenges of implementing Local Government Reform. Members have been engaged and this should continue to be so.
9. CIPFA supports Grant Thornton’s statutory recommendations made as part of the 2017/18 audit that robust arrangements must be put in place to address the backlog of production of the Statement of Accounts 2018/19, 2019/20 and 2020/21 financial statements, which must meet statutory requirements and international financial reporting standards. Also previously, the lead auditor did not present the Statutory recommendations. We would recommend going forward the auditors, in the interest of governance and independence are present to make reports to full Council.
10. Internal Audit plays a key role in the assessment of the control environment within the Council. Responsibility for the Internal Audit Service sits with the Director of Corporate Finance as reported to the Audit Committee on 7th November 2019. CIPFA supports Grant Thornton’s recommendation made as part of the 2017/18 audit that there is a review of Internal Audit. The Director of Corporate Finance having the responsibility for Internal Audit and the finance function is not reflective of good governance / best practice. CIPFA recommends a segregation of these roles.
11. The s.151 Officer produces a detailed and considered action plan which aims to achieve sound financial management across the Council - CIPFA understands this is being produced. This was included in response to the Section 24 recommendation. These plans have been incorporated by the executive team into a clear Annual Governance Statement for 2018/19 and 2019/20. The 2020-21 Annual Governance Statement will need to be updated when the financial statements have been produced.
12. Develop and adopt a financial performance dashboard.
13. Review compliance with the CIPFA Financial Management Code.
14. Look for opportunities to make more use of detailed benchmarking information to challenge services.

CIPFA reviews on Audit Committee effectiveness

An independent review of the Audit Committee effectiveness was reported in March 2022, resulting in 11 recommendations focusing on the need to enhancing the skills and awareness of Audit Committee members, as well as raising the profile of the Committee within the organisation. Progress on implementing these recommendations was limited during 2022/23 and was partly hampered by the impact of Local Government Re-Organisation, resulting in limited engagement from outgoing Committee members.

Code of Conduct

During 2022/23 a small decrease in the number of complaints was seen compared to the prior year. However, senior staff resources were still required to deal with investigation, reporting and resolution of the complaints.

Governance Improvements

A Heads of Service team was introduced to enable service leads to take greater responsibility for running the day-to-day business of the Council in support of the Corporate Leadership Team (CLT) as the process of Local Government Reorganisation (LGR) began.

CLT, Heads of Service and council staff were closely involved in working with colleagues across the county and with external consultants on the LGR process at strategic and operational level to ensure that the new Cumberland and Westmorland and Furness councils were compliant, and governance arrangements were in place for vesting day.

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

An action plan based on improvements required was agreed with the external auditors as part of their value for money assessment for 2022/23. That action was the most recent review and includes an opinion on progress made against the s24 recommendations and effectiveness reviews of both Internal Audit and the Audit Committee. The action plan, including Cumberland management responses is replicated with this Annual Governance Statement, as it recognised these are the key improvement areas that remained outstanding to improve the Council's framework of Governance, Risk Management and Internal Control, including any limitations on progress against statutory recommendations and the concerns identified in the annual Head of Internal Audit opinion.

Overall Assessment of the Governance Arrangements in Place

The Cumberland Leadership Team and relevant officers have reviewed the evidence outlined above and have concluded that due to the governance issues set out in this report, 'partial assurance' can be provided on the governance arrangements. The progress with the Annual Governance Statement priorities is detailed in the composite action plan appended to this report. Progress against these recommendations will be reported to Cumberland's Audit Committee on a regular basis.

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
Recommendation 1 **Financial Planning arrangements in 2019/2020 – pages 12, 18-24** Financial planning weaknesses identified at Copeland Borough Council should be considered by Cumberland Council, and used to inform the design of arrangements to ensure financial planning is robust and provides sustainability for the delivery of services. This includes: • ensuring levels of reserves are sufficient to mitigate financial risk • ensuring robust savings plans are developed to deliver recurring savings and are backed by business and delivery plans • providing sensitivity and scenario analysis for key financial risks within the budget and MTFS • providing sufficient information regarding the revenue impacts of capital expenditure and borrowing within budget and MTFS reports.	Significant weaknesses identified with regard to the Council's financial planning arrangements in 2019/20. The Council increasingly relied on the use of one-off resources to balance annual budgets since 2020/21, rather than deliver sustainable efficiencies. This included significant use of reserves and capitalisation directions. This resulted in a projected budget gap of £3.998m for 2023/24 which the new Cumberland Council inherited. The Council's strategy of using GF and earmarked risk reserves to balance the revenue budget eroded the level of reserves available to mitigate financial risk and did not represent a financially sustainable strategy.	Robustness of estimates and adequacy of reserves considered as part of Cumberland Council's 2023-24 and 2024-25 budget setting rounds in accordance with statutory requirements.
Recommendation 2 **Financial risk within Capital Programme in 2019/2020 – pages 12, 25-27** Capital programme risks identified at Copeland Borough Council should be considered by Cumberland Council, and used to inform the design of arrangements to ensure capital programmes are affordable and financing risk is mitigated. This includes: • ensuring the revenue implications of capital expenditure and borrowing are clearly highlighted in	Significant weakness existed in 2019/20 with regards financial risks within the capital programme. This risk related to the £27m of additional borrowing required to fund the programme and the assumption that the associated costs would be funded through the additional income generated from capital schemes. The borrowing requirement and associated MRP costs increased when the capital programme 2021/22 to 2025/26 was approved in February 2021, and therefore represented a growing risk in terms of affordability. We note that for 2022/23, the Council	Prudence, affordability and sustainability of Cumberland Council's capital expenditure programme and associated borrowing considered in line with requirements of the Prudential Framework. Capital programme and the Prudential and treasury indicators cover the same minimum three period required by the Prudential Framework

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
budget reports and the MTFS. • ensuring capital programme projections and the Treasury Management Strategy cover the same period. • reviewing inherited capital programmes from legacy councils to ensure they are affordable and develop a strategy for financing schemes dependent on borrowing.	reviewed the capital programme and reduced the associated borrowing requirement. Additional information was also provided in the budget report on the revenue costs associated with borrowing	
Recommendation 3 **CIPFA Treasury Management – pages 25-27** The Council should ensure it complies with the requirements of the CIPFA Treasury Management in Public Services Code of Practice and with the treasury scrutiny requirements set out in the Constitution. This should include: • providing Members as a minimum, an annual treasury strategy report, a mid-year review, and an annual treasury report; • ensuring the Audit Committee undertakes effective scrutiny of the Treasury Management Strategy and any associated policies.	CIPFA Treasury Management in Public Services Code of Practice requires that as a minimum the Council should receive an annual report on the strategy for the coming year, a mid-year review, and an annual report on the performance of the treasury management function. The Council's Constitution set out that the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Council did not comply with these requirements for 2019/20 as no annual report was provided for Member scrutiny. Although quarterly budget monitoring reports included a commentary on treasury management, they did not provide all the information we would expect from a formal mid-year review such as treasury income and expenditure forecasts against budget and details of investment and debt portfolios.	In accordance with the Treasury Management Code Full Council receives annual treasury strategy report, a mid-year review, and an annual treasury report; A summary of treasury management activities is also be included in the quarterly finance reports submitted to the Council's Executive. This includes reporting on performance against all forward looking prudential indicators. Cumberland Council's Constitution the Audit Committee is responsible for monitoring the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Recommendation 4 **Statutory requirement to produce audited Statement of Accounts – pages 13, 28-29** The Council should continue to put in place robust arrangements for the production of financial statements,	The Council has not fulfilled its statutory requirements to produce audited Statement of Accounts in line with the statutory deadline for years 2017-18 to 2022-23. Management's capacity to produce financial statements by the deadline and of sufficient quality is a significant risk, with associated	The Council will continue to put in place robust arrangements for the production of financial statements, on a timely basis which meet statutory requirements and international financial reporting standards.

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
on a timely basis which meet statutory requirements and international financial reporting standards. The new unitary council will need to ensure sufficient resources and specialist skills are available to support the accounts production and ensure appropriate working papers are produced supported by evidence and documentation retained from the predecessor authority.	risks relating to reporting outturn and setting a budget without a prior year audited position. A statutory recommendation was reported in March 2022 that the Council should continue to put in place robust arrangements for the production of the late financial statements, which meet statutory requirements and international financial reporting standards. Additional demands on officers and Members will be made due to local government reorganisation in Cumbria as the Council transitions to Cumberland unitary council on 31 March 2023. The lack of audited closing Statement of Accounts for Copeland Borough Council will impact Cumberland Council's opening Statement of Accounts.	
Recommendation 5 **Risk management reporting – pages 14, 30** Risk management reporting arrangements should be strengthened by: • mapping risks in the Strategic Risk Register to corporate priorities • allocating further required actions to named officers and providing target dates for implementation.	No identification of any significant weaknesses in the Council's general arrangements for reporting and managing risk in 2019/20. The Strategic Risk Register was reported regularly to the Audit Committee during the year and contains most of the elements of best practice we would expect. We note that strategic risks were not mapped to corporate priorities to ensure that only risks that impact on strategic issues were reported. The Strategic Risk Register would also be strengthened by allocating further required actions to named officers and providing target dates for implementation.	Workshops were held both prior to LGR and in March to identify a strategic risk register against corporate objectives, working closely with the Senior Leadership Team. The strategic risk register format includes a mapping to the Council's strategic delivery plan; this plan was approved by Executive in January 2024, so the strategic themes will be mapped to the Strategic Risk Register from March 2024. Responsibility for all Strategic Risks are assigned to a member of the Senior Leadership Team and from March 2024 future actions to mitigate risk will include an assigned owner and target completion

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
		date. Risk reports have been reported to SLT on an 8-weekly cycle, which has recently been increased to a 4-weekly cycle for higher scoring risks.
Recommendation 6 **Reporting arrangements for strategic risks – pages 14, 30-31** Report risk quarterly to the Audit Committee and annually to Executive, in accordance with the Risk Management Policy, to ensure that those charged with governance have a proper oversight of risk management arrangements.	Arrangements for the regular reporting of the Strategic Risk Register to the Audit Committee did not resume after 2019/20. The Audit Committee received just one risk management report for each of the financial years since 2019/20. The Risk Management Policy required that the Executive receive annual risk management reports, but these were not provided for 2019/20, 2020/21 or 2021/22. We judge the lack of regular reporting of risk to Members for the last three financial years to be a significant weakness.	Risk update reports for Cumberland have been presented to every Audit Committee, with the Risk Management Framework approved in August 2023 and the first Strategic Risk Register presented in October 2023, with updates at each subsequent meeting. Committee Members have also received facilitated risk management training to enhance oversight in this area (January 2024). The Strategic Risk Register is also reported to Senior Leadership Team on an 8-weekly cycle, with more frequent reporting (4 weekly) now in place for higher scoring risks.
Recommendation 7 **Arrangement to manage ICT Risks – pages 14, 31–33** Cumberland Council should consider the weaknesses identified with regard to the management of ICT risks at Copeland Borough Council as a priority to ensure that ICT controls and disaster recovery plans are robust going forward.	Significant concerns are raised with regards the arrangements to manage ICT risks ensuring an effective ICT control environment. These relate to: • significant weaknesses were identified in the ICT control environment following the severe cyber-attack in 2017 and these continued into 2019/20 and beyond • Council were slow to address identified weaknesses evidenced through the findings of the May 2019 and December 2020 IT Health Checks	A significant amount of work has been undertaken by Cumberland to ensure that Copeland's ICT control environment meets the requirements of Public Services Network (PSN) Accreditation. An extensive ICT health check was commissioned and undertaken, with further extensive work undertaken to address remedial actions to obtain PSN certification for the legacy Copeland network. The majority of the Copeland Infrastructure has been replaced and modernised and

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
	• reduced Strategic Risk Register assessment of ICT resilience risk suggests insufficient oversight and awareness of risk to ICT systems • a disaster recovery plan was not developed, and disaster recovery arrangements were not tested during a period of heightened risk, the scope of internal audit coverage of the ICT Strategy and ICT Purchasing was significantly reduced to a review of Information Security Policies and Human Resource Security • the Council did not address previous statutory recommendations relating to ICT & business continuity.	implemented in line with Best Practices. This includes the Core network, the Firewalls, the VPN, and the Datacentre facilities. Cumberland Council has registered a strategic risk in relation to cyber attacks, which has been given the maximum risk score available due to the current geopolitical risk environment. The team are currently harmonising their operational risk registers and will work with the Council's Risk Manager to produce an operational risk register that conforms to the Council's Risk Management Framework. Disaster Recovery is addressed in the response to follow-ups.
Recommendation 8 **Internal Audit Opinion for 2019/20 – pages 15, 34** Revisit the basis for providing a reasonable assurance internal audit opinion for 2019/20 and whether this is justified by the reduced internal audit coverage for the year.	The approved Internal Audit Plan for 2019/20 was based on 421 audit days with the Internal Audit Manager confirming that these planned days were the minimum acceptable level of cover for an annual audit opinion to be provided. During the year several key assurance audits were deferred that totalled 110 days, and by the year-end only 11 out of 17 (65%) planned audits were completed. A reasonable annual internal audit opinion was provided for 2019/20. Due to the significant reduction in coverage against the plan we do not consider that there was enough breadth of review of the control environment to provide a reasonable assurance opinion.	While the findings are accepted, this was a historic decision made by previous Head of Internal Audit at Copeland Borough Council. Audit opinions at Copeland for 2021/22 and 2022/23 (draft) both provided partial assurances and the 2021/22 opinion included significant caveats relating to the limited audit coverage in that year (which was identified by the incoming Head of Internal Audit when appointed in April 2022). Internal Audit coverage at Cumberland has

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
		been monitored and reported regularly and actions have been taken to address resource difficulties faced by the service (which will be referred to in the 2023/24 annual Head of Internal Audit opinion).
Recommendation 9 **Audit Committee review of Internal Audit recommendations - page 34** Improve the quality of reporting on the implementation of internal audit key recommendations to the Audit Committee to include detailed narrative for all Priority 1 and Priority 2 recommendations.	Audit Committee was only provided with detailed information on overdue internal audit recommendations for Priority 1 recommendations and Priority 2 recommendations that were less than 50% implemented. The Audit Committee should be provided with detailed information regarding the progress made in implementing all Priority 1 and 2 recommendations in order to allow for appropriate oversight and challenge where improvements are required to the control environment.	The Cumberland Audit Committee receives regular updates on the follow-up of all internal audit recommendations, including outstanding legacy recommendations from the three district councils.
Recommendation 10 **Internal Audit – Quality Assurance and Improvement Program – pages 15, 34 - 35** In response to previous recommendations from Grant Thornton and DLUHC, the Council commissioned an independent CIPFA review of conformance to Public Sector Internal Audit Standards. The conclusion of the review was that the internal audit service partially conforms to these standards. Reasonable progress was made during 2022/23 implementing recommendations to improve compliance with PSIAS. Several recommendations were completed with improvements made to the Internal Audit Charter and Audit Plan. A new working methodology was used to deliver the 2022/23 internal audit work.	Continue to improve the effectiveness of the internal audit function and ensure the positive direction of travel with regard to PSIAS compliance is maintained. This includes: • embedding the new working methodology to deliver internal audit work; • continued review and reporting to Audit Committee of compliance with PSIAS; • continue to develop the quality and improvement process; • ensure that auditors undertake sufficient professional training.	Significant action was undertaken by Copeland's Head of Internal Audit during 2022/23 to address the recommendations made in the External Quality Assessment, with progress reported to Audit Committee on a regular basis. A self-assessment of conformance with the PSIAS for 2022/23 was reported to Cumberland Audit Committee (August 2023) for all 3 district councils, including Copeland, resulting in an action plan, which has had progress reported to Audit Committee at subsequent meetings. A self-assessment will be provided for 2023/24, shortly followed by an independent external quality assessment.

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
		Quality and Improvement Procedures (QAIP) are in-built into the existing methodology, but Internal Audit has recognised the need to develop an enhanced QAIP for the service and this will be in place from early 2024/25, which will include a training needs assessment for the service.
Recommendation 11 **Implementation of CIPFA Recommendations – pages 16, 35-40** Cumberland Council should ensure actions identified in the CIPFA review of the effectiveness of the Audit Committee at Copeland Borough Council are addressed to ensure that there is an effective Audit Committee going forward. In particular: • Ensuring sufficient training and support is provided in order to increase the skills and knowledge of Audit Committee Members. • Providing frequent risk management reports to the Audit Committee in order to provide proper oversight to those charged with governance. • Governance arrangements are improved through the production of an Audit Committee Annual Report and self-assessment.	The CIPFA report presenting recommendations relating to the effectiveness of the Audit Committee dated September 2021, was provided to the Audit Committee in March 2022. There was an opportunity to implement many of the recommendations to be effective during 2022/23, and also to improve year-end reporting and review for 2021/22. Many of these actions could have been implemented quickly without significant cost. The Council was slow to implement the required improvements to increase the effectiveness of the Audit Committee, and the majority of the CIPFA recommendations were still outstanding at March 2023.	A significant training programme has been developed for Cumberland Council Audit Committee members, including: • A comprehensive induction programme covering training on all areas within members remit. • Regular training sessions prior to Committee meetings. • An enhanced risk management training session facilitated by Zurich Municipal. • An enhanced Treasury Management training session facilitated by Link. The Committee have also appointed a suitably qualified independent member following a competitive interview process, who will commence in post from March 2024. Informal/formal deep dives of individual strategic risks are now being undertaken at Committee meetings to improve Member's awareness of risk management within the organisation.

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
		Regular risk management updates are provided and an annual report and self-assessment will be delivered in May 2024.
Recommendation 12 **Prevention of fraud, money laundering and corruption – pages 35-36** We recommend Cumberland Council consider the weaknesses identified at Copeland Borough Council regarding reporting on arrangements to prevent and detect fraud and corruption and ensure that robust arrangements are put in place going forward. Specifically: • an annual counter fraud plan should be approved by the Audit Committee that includes adequate resource for risk-based work, reactive work, investigations and counter fraud training and awareness. • Regular progress reports and an annual report that summarise counter fraud activity and the results of fraud investigations should be presented for Audit Committee scrutiny.	Arrangements for reporting on arrangements to prevent and detect fraud and corruption to the Audit Committee were not adequate. The Audit Committee received the Fraud and Corruption Strategy and Anti Money Laundering Policy in April 2019 before approval by Executive in June 2019. There have been no further policies reviewed and there was no annual counter fraud plan, progress report or annual report.	The Internal Audit plan for Cumberland includes a counter-fraud plan, specifying audit work being undertaken in relation to the prevention, detection and investigation of fraud. The Committee received and approved the Council's Counter-fraud and Confidential Reporting policies. Internal Audit progress reports include an update on counter-fraud activity, including outcomes of any finalised fraud investigations. From 2024/25 an annual self -assessment will be provided against best practice in relation to counter-fraud.
Recommendation 13 **DLUHC, CIPFA and Grant Thornton action plan – pages 16, 37-40** Implement the recommendations made by internal audit regarding the monitoring of progress with the composite action plan developed from external regulator reviews. Specifically: • outstanding statutory recommendations should be	Recommendations from the DLUHC, CIPFA and Grant Thornton external reviews were combined into a composite action plan. Progress was formally reported to Members of the Overview and Scrutiny Committee and Audit Committee. Internal Audit undertook a review of the progress made against the action plan, providing to the Audit Committee in January 2023 a reasonable assurance opinion for the controls for progressing statutory	Cumberland Council does not currently have a performance management system in place. In order to adhere to this recommendation a review of statutory recommendations will be undertaken to identify those that are still applicable to Cumberland, these will be assigned actions, with progress reported to SLT on a regular basis.

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
added to the corporate performance management system, Pentana Risk, to allow for regular monitoring. • SMT should regularly review the status of all recommendations and consider whether further action is required to mitigate any overarching risks.	recommendations. Our review of progress made has identified that while progress has been made in some areas, key recommendations relating to balancing the MTFS, addressing the backlog in producing financial statements, developing IT disaster recovery plans, and improving the effectiveness of the Audit Committee have not been implemented. We have made specific recommendations relating to these areas elsewhere in this report. We also endorse the recommendations made by internal audit as a result of their review of the progress made implementing the recommendations within the plan.	
<u>**Recommendation 14**</u> **Procurement Arrangements- pages 17, 41-42** Cumberland Council considers the significant weaknesses with regards procurement arrangements at Copeland Borough Council ensuring arrangements are robust and transparent going forward including: • maintaining evidence procurement activity complies with CSOs, financial regulations and public procurement regulations. • maintaining a register of procurement waivers, and reporting waivers regularly to those charged with governance. • reporting on key performance indicators as set out in the Procurement Strategy. • reviewing Contract Standing Orders and the Procurement Strategy regularly. • ensuring the contract register is maintained and	Significant weaknesses in the Council's procurement arrangements were identified. These include: • not being able to provide evidence that appropriate procurement processes were followed. • an absence of reporting procurement waivers to those charged with governance. • not reporting key procurement performance indicators formally to Members • not regularly reviewing the Procurement Strategy and Contract Standing Orders • not maintaining an up-to-date contract register and not ensuring procurement information published on the website is up to date. These weaknesses create a risk that procurement activity is not achieving value for money and that	These issues were predominantly in place due to the limited resource at Copeland in relation to procurement. Cumberland Council has a Procurement team in place who have either addressed or are working towards addressing the issues raised. Contract Procedure Rules and Standing Orders are in place and a spend analysis tool is now in place and starting to be used to help monitor compliance. A register of procurement waivers is maintained by the service. A Contract Register is online on the external website. A 'Contracts Finder' form has been put in place to facilitate the register and this should be completed by officers when they award contracts over £25k plus VAT, so that the appropriate

Action plan following Copeland Value for Money Report: 2018 / 2019 & 2019 / 2020		
Recommendation	**Summary**	**Management response**
published. • ensuring procurement information published on the Council's website is up to date.	there is insufficient oversight of procurement activity from those charged with governance.	notification can be published on the government website Contracts Finder page and also to ensure contracts over £50k are added to the Council's Contract Register. An intranet page has been developed to provide awareness of counter-fraud arrangements and Internal Audit & Procurement are working on an e-learning package that will include procurement fraud. The draft internal audit plan for 2024/25 also includes an audit of counter-fraud activity in place at the Council, which will comprehensively review the control framework in place at Cumberland and identify any further improvements that could be put in place.

Glossary of Terms

12-month expected credit losses
The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

accounting period
The period of time covered by the accounts, normally a period of 12 months ending with 31 March.

accounting policies
The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.

accruals (accrued expenditure)
Liabilities to pay for goods or services that have been received or supplied during the accounting period but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example amounts relating to accrued holiday pay).

accrual basis
A basis of accounting under which transactions and other events are recognised when they occur even if the resulting cash receipts and payments occur in a different period.

Under the accruals basis an authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Code.

active market
A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

actuarial gains and losses (for a defined benefit pension scheme)
Changes in the present value of the defined benefit obligation resulting from:

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and

(b) the effects of changes in actuarial assumptions.

amortisation (depreciation)
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

amortised cost of a financial asset or financial liability
The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

assets
A present economic resource controlled by the entity as a result of past events.

asset ceiling
The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

assets held by a long-term employee benefit fund
Assets (other than non-transferable financial instruments issued by the reporting authority) that are either:

(a) held by a fund that is separated within the reporting authority in accordance with Local Government Pension Scheme requirements and exists solely to pay or fund employee benefits, or

(b) held by an entity (a fund) that is legally separate from the reporting authority and exists solely to pay or fund employee benefits; and

(c) are available to be used only to pay or fund employee benefits, are not available to the reporting authority's own creditors (even in bankruptcy), and cannot be returned to the reporting authority, unless either:

- (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting authority; or
- (ii) the assets are returned to the reporting authority to reimburse it for employee benefits already paid.

associate
An entity over which an investor (i.e. a reporting authority) has significant influence.

8: GLOSSARY

authorised for issue (date)
For unaudited accounts - the date on which the responsible financial officer (RFO) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval.

For audited accounts - the date the responsible financial officer (RFO) re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015.

benefits payable during employment
Benefits payable during employment include:

a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services.

b) Other long-term employee benefits (other than post-employment benefits and termination benefits) earned by current employees but not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.(e.g. long-service leave or jubilee payments and long-term disability benefits).

call accounts
Funds placed with a financial institution without a fixed maturity date and which can be 'called' or withdrawn at any time.

capital expenditure
Expenditure which falls to be capitalised in accordance with proper practices (i.e. the expenditure results in an asset being recognised on the balance sheet) or which otherwise falls to be treated as capital expenditure under regulations or by virtue of a capitalisation direction.

capital receipt
A sum received by the authority in respect of the disposal by it of an interest in a capital asset'. An asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure.

Capital receipts also include sums to be treated as being a capital receipt under regulations. These include repayment of a loan, grant or other financial assistance, given by an authority if the same loan, grant or advance would qualify as capital expenditure if incurred at the time of the repayment. Capital receipts which, in aggregate do not exceed £10,000 are not treated as a capital receipt.

Capital receipts can only be used for one or more of the purposes set out in regulations. For example to finance capital expenditure, to repay the principal of any amount borrowed, to pay a premium charged in relation to any amount owed or to meet the costs of disposal of an interest in non-housing land, provided these do not exceed 4% of the capital receipt arising from the disposal.

capitalisation
Recognising expenditure as part of the cost of a non-current asset.

carrying amount
The amount at which an asset, a liability or reserve is recognised in the balance sheet.

carrying amount (of an intangible asset)
The amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.

carrying amount (of PPE)
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

cash
Cash on hand and demand deposits.

cash equivalents
Short-term, highly liquid investments, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

cash flows
Inflows and outflows of cash and cash equivalents.

cash-generating assets
Assets held with the primary objective of generating a commercial return.

8: GLOSSARY

cash-generating unit	The smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
change in accounting estimate	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.
classification	The sorting of assets, liabilities, reserves, income or expenses on the basis of shared characteristics for presentation and disclosure purposes.
class of assets	A grouping of assets of a similar nature and use in an authority's operations.
class of financial instrument	Grouping of financial instruments that is appropriate to the nature of the information disclosed and that takes into account the characteristics of those financial instruments.
close members of the family of an individual	Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: • that person's children and spouse or domestic partner • children of that person's spouse or domestic partner, and • dependants of that person or that person's spouse or domestic partner.
commencement of the lease term	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).
community assets	Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. Community assets exclude assets accounted for as heritage assets. Examples include parks (excluding archaeological sites); cemeteries and crematoria (land only) and allotments where there are restrictions on alternative uses).
conditions on transferred assets	Stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
constructive obligation	An obligation that derives from an authority's actions where: • by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and • as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.
contingent liability	(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or (b) A present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.
component [of an item of PPE]	Part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.

8: GLOSSARY

contingent rent That portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, future market rates of interest).

contract An agreement between two or more parties that creates enforceable rights and obligations.

contract asset A authority’s right to consideration in exchange for goods or services that the authority has transferred to a service recipient when that right is conditioned on something other than the passage of time (for example, the authority’s future performance).

contract liability An authority’s obligation to transfer goods or services to a service recipient for which the authority has received consideration (or the amount is due) from the service recipient.

control of an economic resource The present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it.

control of an investee An investor (i.e. the reporting authority) controls an investee when the reporting authority is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

cost The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

cost approach A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

costs of disposal The incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax expense.

costs to sell The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

credit-adjusted effective interest rate Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

credit-impaired financial asset A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about (a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

credit loss The difference between all contractual cash flows that are due to an authority in accordance with the contract and all the cash flows that the authority expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Estimates of cash flows include consideration of all contractual terms of the financial instrument through the expected life of that instrument along with cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

credit rating A standardised assessment - expressed in alphanumeric characters - of the creditworthiness of an entity raising debt capital provided by credit rating agencies to investors and analysts. Ratings also serve as a measure of the risks relating to specific financial instruments.

8: GLOSSARY

credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

credit risk rating grades
The rating of credit risk based on the risk of a default occurring on the financial instrument

creditors
Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

current asset
An asset that is:

a) intended to be sold or used within the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months);
b) held primarily for the purpose of trading;
c) expected to be realised within 12 months after the reporting date; or
d) cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

current liability
A liability that:

a) is expected to be settled in the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months)
b) is held primarily for the purpose of trading
c) is due to be settled within 12 months after the reporting period, or
d) the authority does not have an unconditional right to defer settlement of for at least 12 months after the reporting period.

current replacement cost
The cost the authority would incur to acquire the asset on the reporting date.

current service cost
The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

current tax
The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

current value (for land and buildings)
The amount that would be exchanged for the asset in its existing use. Current value measurement bases include:

- existing use value (EUV) defined in accordance with UK VPGA 6 and UK VPGA 4 of the Royal Institution of Chartered Surveyors (RICS) *Valuation - Global Standards 2017: UK national supplement* for assets providing service potential to the authority where an active market exists, and
- depreciated replacement cost for assets where there is no market and/or the asset is specialised.

debtors
Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

deductible temporary differences
Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

deferred tax assets
The amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry-forward of unused tax losses; and (c) the carry-forward of unused tax credits.

deferred tax liabilities
The amounts of income taxes payable in future periods in respect of taxable temporary differences.

deficit or surplus of a defined benefit pension scheme
The present value of the defined benefit obligation less the fair value of plan assets (if any).

8: GLOSSARY

defined benefit (pension) plan	A post-employment benefit plan other than a defined contribution plan. Under a defined benefit plan the amounts paid as retirement benefits are determined independently of the investments of the plan by reference to a formula - usually based on an employees’ earnings and/or years of service. Defined benefit plans include both funded schemes such as the Local Government Pension Scheme and unfunded (pay as you go) schemes.
defined contribution plan	A post-employment benefit plan under which an authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.
demand deposit	Interest bearing bank account not available to be used for cheques or other similar payments. Interest is usually paid at fixed intervals typically quarterly or annually. Normally repayable on demand without penalty although notice period may apply in some circumstances.
depreciable amount	The cost of an asset, or other amount substituted for cost, less residual value.
depreciation (amortisation)	The systematic allocation of the depreciable amount of an asset over its useful life.
depreciated replacement cost (DRC) - instant build approach	A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The ‘instant build’ approach excludes from the valuation any allowance for borrowing costs incurred over an assets construction period.
derecognition	The removal of all or part of a recognised asset or liability from an authority’s balance sheet.
derecognition (of a financial asset or liability)	The removal of a previously recognised financial asset or financial liability from an authority’ Balance Sheet.
derivative	A financial instrument or other contract within the scope of [IFRS9] with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the “underlying”); (b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) It is settled at a future date.
discontinued operation	An activity of an authority that ceases completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.
discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority’s discretionary powers.
disposal group	A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.
dividends	Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.
donated assets	Assets (including heritage assets) transferred at nil value or acquired at less than fair value.

8: GLOSSARY

earmarked reserves	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
economic life	Either: (a) the period over which an asset is expected to yield economic benefits or service potential to one or more users; or (b) the number of production or similar units expected to be obtained from the asset by one or more users.
effective interest method	The method used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in Surplus or Deficit on the Provision of Services over the relevant period
economic resource	A right that has the potential to produce economic benefits, service potential or both.
effective interest rate	The interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.
employee benefits	All forms of consideration given by an authority in exchange for service rendered by employees or for the termination of employment.
entry price	The price paid to acquire an asset or received to assume a liability in an exchange transaction.
equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
equity method	A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The reporting authority's Surplus or Deficit on the Provision of Services includes its share of the investee's profit or loss and the reporting authority's Other Comprehensive Income and Expenditure includes its share of the investee's Other Comprehensive Income and Expenditure.
events after the reporting date	Those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue. They include: a) those events that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).
exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
executory contracts	Contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.
existing use value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.
exit price	The price that would be received to sell an asset or paid to transfer a liability.
expected credit losses	The weighted average of credit losses with the respective risks of a default occurring as the weights.

8: GLOSSARY

expenses
Decreases in economic benefits or service potential in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of property, plant and equipment.

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

fair value less costs to sell
The amount obtainable from the sale of an asset (or cash-generating unit) in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

finance lease
A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

financial asset
A right to future economic benefits controlled by the authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.

financial guarantee contract
A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

financial instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

financial liability
An obligation to transfer economic benefits controlled by the authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.

financial liability at fair value through profit or loss
A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions: a) it meets the definition of held for trading b) upon initial recognition it is designated by the authority as at fair value through profit or loss in accordance with paragraph 7.1.5.8 of the Code or paragraph 4.3.5 of IFRS 9 c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9.

financing activities
Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

future economic benefit or service potential
Economic benefits refer to the potential to contribute directly or indirectly to the flow of cash and cash equivalents to an entity. Service potential indicates the capacity of an asset to provide goods and services in accordance with an entity's objectives, without necessarily generating any net in-flows of cash and cash equivalents.

gilts
UK government securities issued by HM Treasury

going concern assumption
The assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

8: GLOSSARY

government	Central government, government agencies and similar bodies whether local, national or international.
government-related entity	An entity that is controlled, jointly controlled or significantly influenced by a government.
grants and contributions	Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.
gross carrying amount of a financial asset	The amortised cost of a financial asset, before adjusting for any loss allowance.
gross investment in the lease	The aggregate of: (a) the minimum lease payments receivable by the lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
group	A parent and all its subsidiaries.
group accounts	The financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.
guaranteed residual value	For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and For a lessor, that part of the residual value that is guaranteed by the lessee, or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
held for trading	Held for trading is a financial asset or financial liability that: a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term b) on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
heritage assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting authority in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.
highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.
highly probable	Significantly more likely than probable.
historical cost (of property, plant and equipment)	The carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later and adjusted for subsequent depreciation or impairment (if applicable).
identifiable (asset)	An asset is identifiable if it either: (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

	(b arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
impracticable	Applying a requirement is impracticable when the authority cannot apply it after making every reasonable effort to do so.
inception of the lease	The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.
income	Increases in assets, or decreases in liabilities, that result in increases in reserves. Income includes both revenue arising in the normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.
income approach	A valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
income from a structured entity	Income that includes but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.
infrastructure assets	Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, permanent ways, coastal defences, water and drainage systems).
initial direct costs (of a lease)	Incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.
inputs	The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following: a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model), and b) the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.
input tax	VAT charged on purchases.
intangible asset	An identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic benefits or service potential must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.
intangible heritage asset	An intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.
interest in another entity	Contractual and non-contractual involvement that exposes a reporting authority to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. A reporting authority does not necessarily have an interest in another entity solely because of a typical customer–supplier relationship.
interest rate implicit in the lease	The discount rate that, at the inception of the lease, causes the aggregate present value of: (a) the minimum lease payments; and (b) the unguaranteed residual value to be equal to the sum of (i) the fair value of the leased asset, and (ii) any initial direct costs of the lessor.

8: GLOSSARY

interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
inventories	Assets: a) in the form of materials or supplies to be consumed in the production process b) in the form of materials or supplies to be consumed or distributed in the rendering of services c) held for sale or distribution in the ordinary course of operations, or d) in the process of production for sale or distribution.
investing activities	Activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
investment property	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes, or b) sale in the ordinary course of operations.
joint arrangement	An arrangement of which two or more parties have joint control.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
joint operator	A party to a joint operation that has joint control of that joint operation.
joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel	All chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.
lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
lease term	The non-cancellable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option
legal obligation	An obligation that derives from a contract (through its explicit or implicit terms); legislation, or other operation of law.
lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.
level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
level 3 inputs	Unobservable inputs for the asset or liability.
liability	A present obligation of the authority to transfer an economic resource as a result of past events.
lifetime expected credit losses	The expected credit losses that result from all possible default events over the expected life of a financial instrument.

8: GLOSSARY

liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Financial liabilities, other than short-term trade payables on normal credit terms.
loss allowance	The allowance for expected credit losses on financial assets measured in accordance with paragraph 7.1.5.2 of the Code (i.e. at amortised cost), lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 7.1.5.3 of the Code (i.e. fair value through other comprehensive income) and the provision for expected credit losses on loan commitments and financial guarantee contracts.
market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
market-corroborated inputs	Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
market participants	Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: a) They are independent of each other, i.e. they are not related parties as defined in IAS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. c) They are able to enter into a transaction for the asset or liability. d) They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.
material	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local authority.
minimum lease payments	The payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with: (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or (b) for a lessor, any residual value guaranteed to the lessor by: (i) the lessee; (ii) a party related to the lessee; or (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.
minimum revenue provision (MRP)	The minimum amount that must be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements.
minority interest	The equity in a subsidiary not attributable, directly or indirectly, to a parent.
modification gain or loss	The gain or loss arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. Adjustment

of the gross carrying amount reflects the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset, discounted at the asset's original effective interest rate (or the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The estimated future cash flows of a financial asset exclude expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset.

money market fund A regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments such as bank deposits, certificates of deposit and commercial paper. Money market funds may also hold other types of securities such as floating rate notes and fixed rate bonds which have only a short time until their maturity.

most advantageous market The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

multi-employer plans Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

a) pool the assets contributed by various entities that are not under common control, and
b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

net book value See 'carrying amount'.

net defined benefit liability (asset) The deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

net interest on the net defined benefit liability (asset) The change during the period in the net defined benefit liability (asset) that arises from the passage of time.

net investment in the lease The gross investment in the lease discounted at the interest rate implicit in the lease.

net realisable value (of inventories) The estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

non-cancellable lease A lease that is cancellable only:

(a) upon the occurrence of some remote contingency;
(b) with the permission of the lessor;
(c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or
(d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

non-cash generating assets Assets other than cash-generating assets.

non-current assets held for sale Non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continued use.

non-current asset An asset that does not meet the definition of a current asset. Non-current asset include those assets – such as property, plant and equipment - that provide benefits to the authority for a period of more than one year.

non-exchange transactions Transactions that are not exchange transactions. In a non-exchange transaction, an authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange directly receiving approximately equal value in exchange.

8: GLOSSARY

non-operational assets	Assets held but not occupied, used or consumed in the production or supply of goods and services, for rental to others, or for administrative purposes. Non-operational assets include surplus assets and assets under construction.
non-performance risk	The risk that an entity will not fulfil an obligation. Non-performance risk includes, but may not be limited to, the entity’s own credit risk.
non-specified investments	Investments not meeting the definition of ‘specified investments’.
notes	Notes contain information in addition to that presented in the Comprehensive Income and Expenditure, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.
obligating event	An event that creates a legal or constructive obligation that results in an authority having no realistic alternative to settling that obligation.
obligation	A duty or responsibility that an authority has no practical ability to avoid. An obligation is always owed to another party (or parties) which could be one or more persons or entities, or society at large. It is not necessary to know to whom the obligation is owed.
observable inputs	Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
onerous contract	A contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.
operating activities	The activities of the authority that are not investing or financing activities.
operational assets	Assets occupied, used or consumed in the production or supply of goods and services for which it has either a statutory or discretionary responsibility, for rental to others, or for administrative purposes
operating lease	A lease other than a finance lease.
operating segment	An operating segment is a component of an authority that engages in activities and whose operating results are reviewed regularly as part of internal management reporting for the purpose of (a) evaluating the authority’s past performance in achieving its objectives and (b) making decisions about the future allocation of resources.
orderly transaction	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a forced liquidation or distress sale).
other comprehensive income and expenditure	Items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus and remeasurement of the net defined benefit liability (asset).
other long-term employee benefits	Employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
output tax	VAT charged on sales.
oversight	The supervision of the activities of an authority, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the authority.

8: GLOSSARY

owner-occupied property
Property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.

parent
An entity (i.e. reporting authority) that has one or more subsidiaries.

party to a joint arrangement
An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

past due
A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.

past service cost
The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan).

performance obligation
A promise in a contract with a service recipient to transfer to the service recipient either:

a) a good or service (or a bundle of goods or services) that is distinct; or

b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the service recipient.

plan assets
a) assets held by a long-term employee benefit fund, and

b) qualifying insurance policies.

post-employment benefits
Employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefits cover not only pensions but also other benefits payable post-employment such as life insurance and medical care.

post-employment benefit plans
Formal or informal arrangements under which an authority provides post-employment benefits for one or more employees.

power
Existing rights that give the current ability to direct the relevant activities.

prepayment/ payments in advance
An asset in respect of payments made for goods or services that have not yet been received or supplied.

present value of a defined benefit obligation
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

principal market
The market with the greatest volume and level of activity for the asset or liability.

prior period errors
Omissions from, and misstatements in, the authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue, and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

probable
More likely than not.

projected unit method
Actuarial valuation method used to determine the present value of defined benefit pension fund liabilities and service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

proper (accounting) practices (as defined by regulations)
Accounting practices contained in The Code of Practice on Local Authority Accounting in the United Kingdom' published by CIPFA, as amended or reissued from time to time.

8: GLOSSARY

property, plant and equipment	Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
protective rights	Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate
provision	A liability of uncertain timing or amount.
PWLB	Statutory body operating within the United Kingdom Debt Management office, an Executive Agency of HM Treasury. PWLB's whose function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
purchased or originated credit-impaired financial asset	Purchased or originated financial asset(s) that are credit-impaired on initial recognition.
puttable instrument	A financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
qualified valuer	A person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.
quoted in an active market	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's-length basis.
receipts in advance	A liability relating to resources received but in respect of which the relevant revenue recognition criteria have not been met.
receivable	Unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.
reclassification adjustments	Amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.
reclassification date	The first day of the first reporting period following the change in business model that results in an authority reclassifying financial assets.
recognition	The process of capturing for inclusion in the in the balance sheet or comprehensive income and expenditure statement an item that meets the definition of one of the elements of financial statements -an asset, a liability, reserve, income or expenses. Recognition involves depicting the item in one of those statements - either alone or in aggregation with other items - in words and by a monetary amount, and including that amount in one or more totals in that statement.
recoverable amount (of an asset)	The higher of fair value less costs to sell (i.e. net selling price) and its value in use.
related party	A person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council.

related party transaction
A transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Examples of related party transactions include sales, transfers and exchanges of non-current assets, leases, guarantees, the provision of goods and services, secondment of staff and the making of loans and investments.

relevant activities,
Activities of the investee that significantly affect the investee's returns.

remeasurements of the net defined benefit liability (asset)
Remeasurements comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

remuneration of key management personnel
Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority.

It includes all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

reporting date
The date of the last day of the reporting period to which the financial statements relate.

reserves
The residual interest in the assets of the authority after deducting all its liabilities. They include usable reserves (i.e. those that an authority may use to provide services either by incurring expenses or undertaking capital investment) and unusable reserves (those that an authority is not able to utilise to provide services). The latter includes reserves that hold unrealised gains and losses and

	those that hold timing differences shown in the movement in reserves statement line 'Adjustments between the accounting basis and funding basis under regulations'. This includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line on adjustments between the accounting basis and funding basis.
residual value (of an asset)	The estimated amount that an authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
restrictions on transferred assets	Stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.
restructuring	A programme that is planned and controlled by management, and materially changes either: (i) the scope of an authority's activities, or (ii) the manner in which those activities are carried out.
retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
return on plan assets	Interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing plan assets; and (b) any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.
revenue (income)	Revenue is income arising as a result of an authority's normal operating activities.
revenue expenditure	Expenditure on day-to-day items including the running of services, such as staffing and office costs, as opposed to capital expenditure.
revenue expenditure funded from capital under statute (REFCUS)	Expenditure that is not permitted to be capitalised (as a non-current asset) under proper practices but which under regulations or by virtue of a capitalisation direction, is classified as capital for funding purposes. Examples include: • capital grants and financial assistance to third parties towards expenditure which would, if incurred by the authority, be capital expenditure; • expenditure incurred on works to any land or building in which the local authority does not have an interest, which would be capital expenditure if the local authority had an interest in that land or building).
senior employee	An employee: • whose salary is £150,000 or more per year, or • whose salary is £50,000 or more per year (to be calculated pro rata for an employee employed for fewer than the usual full time hours for the relevant authority concerned) and who is either : (a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a body, as defined by the Local Government and Housing Act 1989; (b) the head of staff for a body which does not have a designated head of paid service; or (c) any person having responsibility for the management of the body to the extent that the person has power to direct or control the major activities of the body during the year (in particular activities involving the expenditure of money), whether solely or collectively with other persons.
separate financial statements	See 'single entity financial statements'.

8: GLOSSARY

separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.
service cost (of a defined benefit obligation)	Service cost comprises current service cost, past service cost and any gain or loss on settlement.
service recipient	A party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.
settlement (of a defined benefit obligation)	A transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.
short-term employee benefits	Employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include: a) wages, salaries and social security contributions b) paid annual leave and paid sick leave c) profit-sharing and bonuses d) non-monetary benefits.
short-term paid absences	Periods during which an employee does not provide services to the employer, but benefits continue to be paid. Paid absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.
single entity financial statements	Those statements presented by a parent (i.e. a reporting authority with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with chapter seven of the Code. In the context of the Code, an authority's single entity financial statements are deemed to be separate financial statements.
significant influence	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence may be gained by share ownership, statute or agreement.
soft loan	A loan at nil or below prevailing interest rates
specified investment	An investment that is: (a) denominated in sterling with any payments or repayments payable only in sterling; (b) not a long-term investment (i.e. repayable after more than 12 months) (c) not defined as capital expenditure under regulations (d) made with a body or in an investment scheme of high credit quality or with one of the following public-sector bodies: (i) the United Kingdom Government (ii) a local authority in England or Wales or a similar body in Scotland or Northern Ireland (iii) a parish council or community council.
stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.

8: GLOSSARY

stand-alone selling price (of a good or service)
The price at which an authority would sell a promised good or service separately to a service recipient.

structured entity
An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

subsidiary
An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

surplus or deficit on the provision of services
The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

tangible heritage asset
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

taxable profit (tax loss)
The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).

taxable temporary differences
Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

tax base of an asset or liability
The amount attributed to that asset or liability for tax purposes.

tax expense (tax income)
The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

temporary differences
Differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either: (a) taxable temporary differences; or (b) deductible temporary differences.

term deposits (time deposits)
A type of interest-bearing account for a fixed period of time - ranging from overnight to 5 years - and from which the depositor cannot withdraw funds before the maturity date without incurring a penalty. Time deposits typically pay a fixed rate of interest payable on maturity although longer sated deposits may make interim interest payments.

termination benefits
Employee benefits payable as a result of either:

a) an employer’s decision to terminate an employee’s employment before the normal retirement date, or

b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment (e.g. voluntary redundancy).

They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

total comprehensive income and expenditure
All components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.

trade payables
Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier but for which payment has not been made by the end of that accounting period.

trade receivables
Amounts owed by customers (individuals or corporations) for goods or services that have been delivered or supplied, and have been invoiced or formally agreed with the customer but not yet paid for. A trade receivable represents an

	unconditional right to receive consideration from a customer with nothing, other than the passage of time, being required before payment of that consideration is due.
trading operations	Services provided: • in a 'competitive environment' - i.e. the user has discretion to use an alternative provider, • to users (internal and external) on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates or a combination of these.
transaction costs	The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria: (a) they result directly from and are essential to that transaction. (b) they would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in IFRS 5).
transaction costs financial instruments)	Incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument
transaction price (for a contract with a service recipient)	The amount of consideration to which an authority expects to be entitled in exchange for transferring promised goods or services to a service recipient, excluding amounts collected on behalf of third parties.
transfers	Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
transfer of a function to or from a local authority	A transfer of an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.
transport costs	The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.
unearned finance income	The difference between: (a) the gross investment in the lease; and (b) the net investment in the lease.
unguaranteed residual value	That portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.
unit of account	The level at which an asset or a liability is aggregated or disaggregated in an IFRS for recognition purposes.
unobservable inputs	Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
useful life (of a lease)	The estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.
useful life	The period of time over which an asset is expected to be available for use by an authority.
value in use of a cash-generating asset	The present value of the future cash flows expected to be derived from an asset.
value in use of a non-cash generating asset	The present value of the asset's remaining service potential. This is assumed to be at least equal to the cost of replacing that service potential.

8: GLOSSARY

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.

8: GLOSSARY

ABBREVIATIONS

AVC Additional Voluntary Contribution

BMW Biodegradable Municipal Waste

CAA Capital Adjustment Account

CFO Chief Finance Officer

CFR Capital Financing Requirement

CIES Comprehensive Income and Expenditure Statement

CIFPA The Chartered Institute of Public Finance and Accountancy

CPI Consumer Prices Index

DECC Department of Energy and Climate Change

DEFRA Department for Environment, Foods and Rural Affairs

DRC Depreciated Replacement Cost

DWP Department of Work and Pensions

EIR Effective Interest Rate

EUV Existing Use Value

FRICS Fellow of Royal Institution of Chartered Surveyors

FVOCI Fair value through other comprehensive income

FVTPL Fair value through profit or loss

HMRC Her Majesty's Revenue and Customs

IAS International Accounting Standard

IB-DRC Instant Build Depreciated Replacement Cost

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standard

LASAAC Local Authority (Scotland) Accounts Advisory Committee

LCTS Local Council Tax Support

LGA 2003 Local Government Act 2003

LGPS Local Government Pension Scheme

MHCLG Ministry of Housing, Communities and Local Government

MiRS Movement in Reserves Statement

MMI Municipal Mutual Insurance

MRICS Member of the Royal Institution of Chartered Surveyors

MRP Minimum Revenue Provision

NBV Net Book Value

NDR (NNDR) National Non-Domestic Rates (Business Rates)

NHS National Health Service

OEIC Open Ended Investment Company

PFI Private Finance Initiative

PPE Property, Plant and Equipment

PPP Public Private Partnership

PWLB Public Works Loan Board

REFCUS Revenue Expenditure Funded from Capital under Statute

RFO Responsible Finance Officer

RICS Royal Institution of Chartered Surveyors

RPI Retail Prices Index

RSG Revenue Support Grant

RSL Registered Social Landlord

RTB Right to Buy

SeRCOP Service Reporting Code of Practice

SI Statutory Instrument

SIP Statement of Investment Principles

SOLACE The Society of Local Authority Chief Executives and Senior Managers

SPPI Solely payments of principal and interest

TMPs Treasury Management Practices

UEL Useful Economic Life

VAT Value Added Tax

VOA Valuation Office Agency