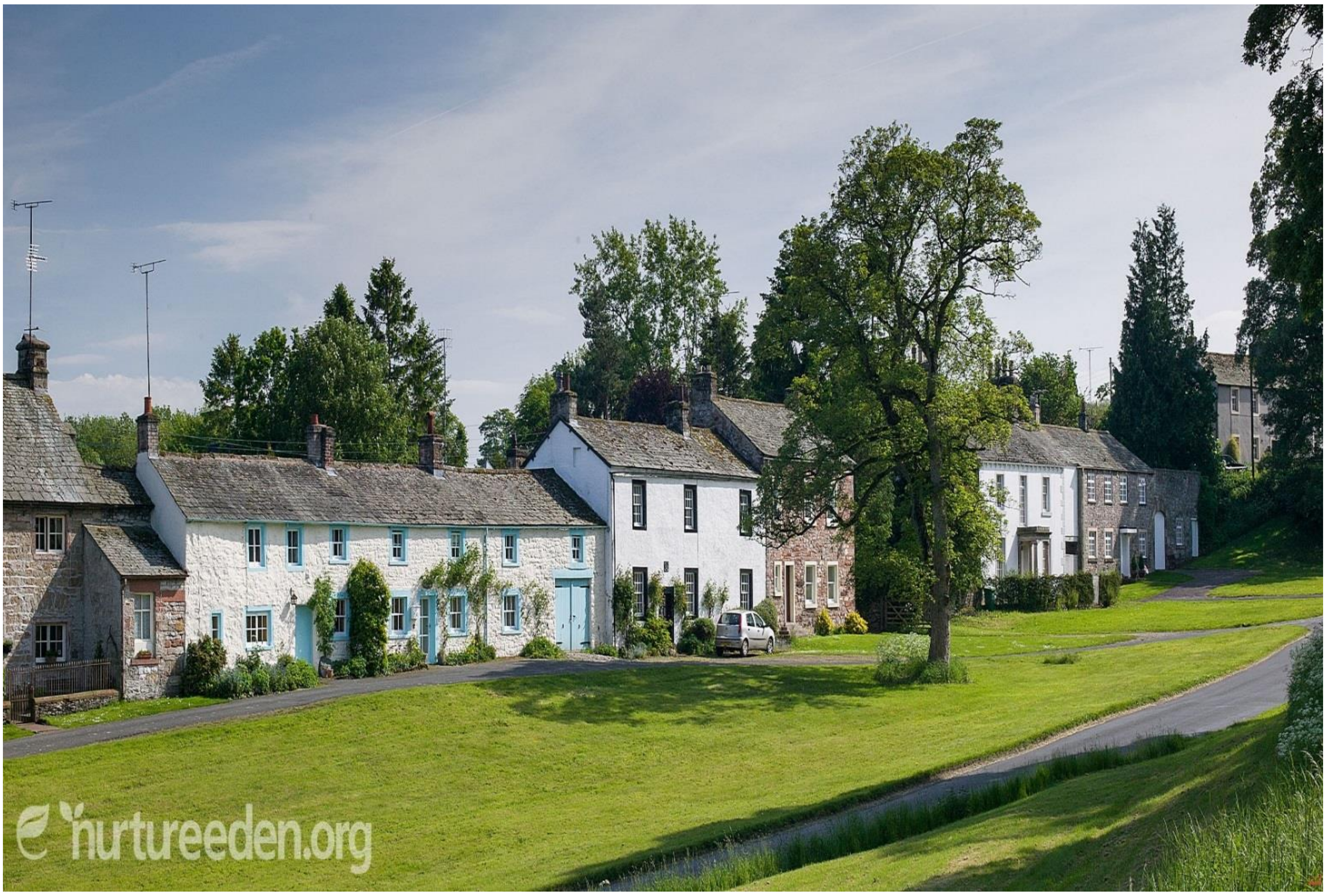
Eden District Council

Statement of Accounts 2017-2018

Audited



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Accessible Information

<u>ENGLISH:</u>

A summary of the information contained in this document is available in different languages or formats upon request. Contact Eden District Council's Communication Officer, telephone: 01768 817817

<u>POLISH:</u>

Streszczenie informacji zawartych w niniejszym dokumencie można uzyskać na życzenie w innym języku lub formacie. Prosimy o kontakt telefoniczny z Referentem Rady ds. Komunikacji Okręgu Eden pod numerem telefonu 01768 817817 lub pocztą e-mail na adres <u>TRADITIONAL CHINESE:</u>

若閣下要求，本文件的摘要資訊可以其他版式和語言版本向您提供 請聯絡伊甸區地方政府傳訊主任 (Eden District Council's Communication Officer) ，其電話為：01768 817817，或發電郵至 <u>URDU</u>

اس دستاویز میں شامل معلومات کا خلاصہ درخواست کئے جانے پر مختلف زبانوں اور فارمیٹوں (شکلوں) میں دستیاب ہے۔ ایڈن
ڈسٹرکٹ کاونسل کے افسر برائے مواصلات سے فون نمبر 01768817817 پر رابطہ کریں یا پر ای میل کریں۔

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Narrative Report

Introduction

Eden is the largest area (at 830 square miles) of any district council in England and with 52,564 residents, has the lowest population density. More than half (55.8%) of Eden's population live in small villages and hamlets, scattered across a wide rural area.

In such a large and sparsely populated area there are challenges to delivering services. These challenges are compounded by the loss of rural services, a low wage economy, high fuel costs, high house prices, an ageing population, a decline in numbers of young people and unprecedented cuts to public spending.

Given the challenges that we and communities across Eden face, it is essential to have a clear sense of direction and that is the purpose of the Council Plan 2015-2019. The priorities set out in the Council Plan provide a structure for making decisions on the Council's services and budgets. The four priorities of the Council are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

The priorities are all strongly connected; the success of one may depend on the success of all. The Council has faced budget cuts already during the lifetime of the previous Corporate Plan (2011-2015) but managed to avoid any significant cuts to services. This is because the Council restructured and reduced staffing by 10%, saving £500,000 annually. The Council worked with a developer to put Council land into retail development to generate an annual rent of £800,000 and re-tendered some front line services saving around £250,000 each year.

Eden District Council has statutory responsibility for a number of key functions. These include waste collection, planning policy, development control, building control, licensing, collection of local taxation, environmental health, housing and homelessness. The Council also provides some discretionary services to support leisure and tourism in the district. The value created to the community is considered to be the services delivered and the achievement and outcomes of the corporate priorities. The statement sets out how the Council's resources (inputs) have been used in creating this value through delivery of services in line with the statute and the corporate priorities (outputs).

The Council is structured around 7 Portfolios, with each Portfolio taking responsibility for certain elements and targets from the Council plan. These are as follows:

- Commercial Services Portfolio;
- Communities Portfolio;
- Eden Development Portfolio;
- Housing and Health Portfolio;
- Leader Portfolio;
- Resources Portfolio; and
- Services Portfolio.

The approved budgets are set out by Portfolio; the budget book published on the Council's website contains the details of which service areas are covered by which Portfolio. Portfolio holders are held accountable for budgets in their area and are involved in review and sign off through the budget process. These are the operating segments that the Cost of Services in the Comprehensive Income and Expenditure Statement are reported in. Although the Council has opportunities through its resilient financial position, there are significant risks and uncertainties over the medium term. The Council operates within legislative constraints and is committed to deliver key services as set down by Central Government. This has a major influence over what the Council does, how it does it and the resources it receives and can generate.

Central Government is currently conducting the 'Fairer Funding' review; a major re-assessment by the Ministry of Housing, Communities and Local Government on how to share out resources within Local Government. This could have a significant impact on the Council's financial resources and is due to be implemented from 2020-2021. In addition, on 23 June 2016, Britain decided to leave the European Union. The financial implications of this for the Council remain unclear.

The following sections set out financial performance in the year, the resource position including financial position and details of the workforce, leading into how these have been directed towards the key Council Plan targets as set out in the Key Performance Indicators. There is then a review of the Medium Term Financial Plan with a view to future reporting periods.

Note on the basis of preparation

This statement of accounts presents the financial performance and position of the Council for the year ending 31 March 2018. The statements and notes include detailed information to help readers of the accounts gain a good understanding of the Council's finances. Under the amendments to the Accounts and Audit Regulations (2015) the deadline for preparation of the accounts has been shortened by 1 month for 2017-2018 onwards. Given the future uncertainties, it is ever more important to ensure timely and meaningful financial information is available to support financial planning and accountability.

These statements have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018, based on International Financial Reporting Standards (the Code). The level of detail in the accounts is based on what is judged to be material for a reader of the accounts. This is a judgement made by the Director of Finance and supported on an annual basis by the external process to ensure the accounts are true and fair. Following this process, although the Council has a 100% ownership of the Heart of Cumbria Limited, no group accounts have been prepared due to the limited trading of the company up to the balance sheet date.

Summary of Financial Performance

The Comprehensive Income and Expenditure Statement sets out the Council's financing performance in line with proper accounting practice. As certain items of income and expenditure under proper accounting practice are not chargeable to Council Tax payers under statute, the impact on the Council's underlying financial position needs to add or remove these statutory adjustments. The Expenditure and Funding analysis (note 1) helps to set this out by reconciling the surplus/deficit under accounting practices to the underlying impact on the Council's revenue reserves (General Fund, including earmarked reserves). This is summarised below:

	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Net cost of services	**7,445**	**1,038**	**8,483**
Other income and expenditure	-7,054	-2,584	-9,638
Surplus / deficit	**391**	**-1,546**	**-1,155**
General fund balance 31 March 2017	-14,395		
Surplus/deficit in year	391		
General Fund balance 31 March 2018	**-14,004**		

This shows a total General Fund reduction of £391,000 during 2017-2018.

The table below shows how these figures tie into the Movement in Reserves Statement, including capital reserves:

31 March 2017 £'000		31 March 2018 £'000	Movement £'000
8,578	General Fund Balance	8,338	-240
5,817	Earmarked Reserves	5,666	-151
14,395	**Total Revenue Reserves**	**14,004**	**-391**
1,324	Capital Receipts Reserve	1,357	33
249	Capital Grants Unapplied	407	158
1,573	**Total Capital Reserves**	**1,764**	**191**
15,968	**Total Usable Reserves**	**15,768**	**-200**

The reserves are strong for a Council of Eden's size. The strength of reserves means the Council can plan effectively for the future. This is important when considering the outlook for Local Government finance. In terms of performance against budget the table below shows how actual spending compared with the revised budget:

	£'000
Expenditure greater than funding	
As per final agreed budget	678
Less: Budget carry forwards	
Revenue: as agreed by Council	-416
As Adjusted: Expenditure greater than funding	**262**
Per Outturn: Expenditure greater than funding	**240**
Variance to explain	**-22**

The figure of £240,000 ties back to the movement on the general fund balance excluding earmarked reserves. The revised budget 2017-2018 was to withdraw £678,000 from the General Fund; the actual position was a withdrawal of £240,000 giving an overall underspend of £438,000 in the year. However, much of this relates to the timing of expenditure and is not true underspend. £416,000 of revenue carry forwards were approved by Council on 10 May 2018 which leaves a net underspend of £22,000. Spend was effectively on target for the year.

The movements on earmarked reserves are set out in note 10. These are specific resources earmarked for certain purposes. For example, S106 monies or grants with restrictions over their use and therefore are separated from general resources available to support the base revenue budget.

Capital Expenditure and Borrowing

During 2017-2018, the Council spent £2,401,000 on capital projects, against a revised budget of £4,585,000. This does not reflect a true underspend but is due to the timing of expenditure. £2,184,000 will be re-profiled into future years of the programme. The single largest element of this relates to £1,000,000 to finance the Heart of Cumbria Limited; this was approved to support the acquisition of assets by the company; completion of the acquisition and draw down occurred in the first quarter of 2018-19. Of the remainder, £455,000 relates to housing renovation grants; these are subject to demand with restrictions around the use where funded through the Better Care Fund (£264,000 of the £455,000).

The main items of expenditure were:

- Loans to Eden Housing Association (£652,000 through the Affordable Housing Innovation Fund);
- Refurbishment of Old London Road Depot, Penrith (£654,000);
- Acquisition of 4/4a Corney Square, Penrith (£222,000);
- Revenues and Benefits system (£223,000);
- Penrith Leisure Centre Boilers (£262,000);
- Housing Renovation Grants (£289,000);
- Footway lighting (£79,000); and
- IT hardware renewals (£20,000).

No new borrowing was taken out to fund the programme. Details of the financing can be found in note 42 to the Financial Statements. The Council has a five year Capital Programme which is updated twice yearly as part of the budget process and to take account of outturn. The Programme is fully financed to 2021-2022.

Summary of Financial Position

The Council's balance sheet and supporting notes provide the detail behind the Council's financial position as at 31 March 2018. The Council has net assets of £48.8m (see the Balance Sheet). This is the difference between its assets and liabilities. In simple terms, this shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings) and settled its liabilities (paid its creditors). This is an increase of £6.3m largely attributable to the decrease of the pension liability by £1.9m and an increase in Property, Plant and Equipment of £2.2m (mainly due to revaluation of the Leisure assets). Working capital (cash plus current debtors and creditors) has increased from £4m to £4.7m. The Council's usable reserves (capital and revenue) decreased by £200,000 overall.

Pensions Reserve

International Accounting Standard (IAS) 19 requires the Council to account for its liability under the pension (defined benefits) scheme as it arises. The Council is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2018, the actuarial valuation showed a net liability of £9.6m (2016-2017: £11.6m). Part of the Council's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets after 2000. The deficit in 2017-2018 has decreased from that in 2016-2017 mainly relating to the financial assumptions (e.g. general price inflation, growth in salary and pension rates) used by the actuary. Further details are set out in Note 45 to the Financial Statements.

Collection Fund

From 1 April 2013, a national Business Rates Retention Scheme (BRRS) has been in place. This does not impact on businesses paying business rates. In essence, national funding from Revenue Support Grant has been reduced and replaced with funding from BRRS. BRRS is reflected in these accounts, principally in the Collection Fund and Comprehensive Income and Expenditure Statement. As noted above, BRRS creates timing differences between recognition of income in the Council's Collection Fund and Comprehensive Income and Expenditure Statement.

The Collection Fund balance was a deficit of £1,326,000 at 31 March 2018, made up of a deficit of £483,000 from Council Tax and £843,000 from NNDR. This is payable to/recoverable from all precepting authorities, which are Cumbria County Council, Cumbria Police and Crime Commissioner, and Eden District Council for Council Tax, and Central Government, Cumbria County Council and Eden District Council for NNDR. These out-turn figures will feed into the next round of budgeting to ensure that the fund aims to break even by redistributing any gains or losses between the preceptors.

Investments and Cash

The Council managed its cash and investments balances in-house during 2017-2018. As at 31 March 2018, £11.3m of investments and cash of £4.6m were managed in-house. The Council had £1.4m of long term loans outstanding. These have increased in year mainly due to £628,000 of long term loans granted to Eden Housing Association through the Affordable Housing Innovation Fund.

The Council's investment activity complied with the Council's Treasury Management Strategy and Plan for 2017-2018, which was approved by Council on 16 February 2017 (Ref F11/17) and reviewed on 9 November 2017 (Ref F91/17). During the year a financing package was approved to invest £1m of equity and a further £5m loan facility to the Heart of Cumbria Limited. As noted above, this had not been called upon as at the 31 March 2018. Over future years this may have significant impact on cash resources as the loan and equity are called on.

Workforce

The Council's staff are split across 3 broad Directorates as follows:

Department	**Full Time Equivalent Employees**
Chief Executive	6.67
Finance	49.58
Governance	97.81
All departments Total	**154.06**

Further details of the responsibilities of each directorate are set out below:

Chief Executive

The Chief Executive has responsibility for overall management of the Council, its vision and strategy and the Human Resources section. This post is also Head of Paid Service. During the year, Robin Hooper served his resignation and remained in post to the end of May 2018. Rose Rouse started as the full time Chief Executive on 2 July 2018.

Department of Finance

The Director of Finance has responsibility for this department, which is organised into four sections as follows:

- Customer Services;
- Revenues and Benefits;
- Financial Services; and
- IT Services (part of shared service with South Lakeland District Council).

The department provides a mix of support services and front line services. The main support services are Internal Audit, Financial Advice and Accountancy, Insurance and Risk Management, Payroll, Purchasing, Treasury Management, Creditors, Sundry Debtors, and IT services. The main front line services for this department are Customer Services, Housing Benefits and Council Tax Reduction, Council Tax and Business Rates and website maintenance.

Department of Governance

The Deputy Chief Executive is the Council's Electoral Registration Officer and Returning Officer for national and local elections. The Deputy Chief Executive is also the Council's Monitoring Officer, responsible for the operation of the Constitution and has the specific duty of ensuring that the Council, its officers and its elected Councillors, maintain the highest standards of conduct in all they do. The Deputy Chief Executive also has responsibility for dealing with complaints about Parish Councillors. The Deputy Chief Executive has overall responsibility for the department, which is organised into four sections as follows:

- Legal Services;
- Commercial Services;
- Environmental Services;
- Technical Services including the following:
    - Planning Policy- setting the planning policy framework for the district and managing building conservation policy and the local plan.
    - Development Management - dealing with planning applications and approvals and enforcement.
    - Building Control - ensuring building work is compliant with policy, legislation and regulations.
    - Planning Services Support - providing administration support to Development Management and Building Control, the Gazetteer function, street naming and numbering and Land Charges.

In addition, the Council has out-sourced a number of services which are delivered by external contractors. These include waste collection, street cleaning and general asset maintenance all provided by Amey PLC. Recycling and green waste collection are provided by Cumbria Waste Management. Leisure services are supplied by Greenwich Leisure Limited.

Council Performance

The Council's resource inputs are used to achieve the output targets set out in the Council Plan. The Council maintains a set of Key Performance Indicators to monitor against key targets within the Council Plan. Performance against these at the year-end was:

2016-2017 Year End Performance	Key Performance Indicator	2017-2018 Target	2017-2018 Year End Performance
0	Missed refuse collections (after 24 hours) from 25,630 properties Q1 and 25,791 properties in Q2, Q3 and Q4 (Contracts Manager)	<3	0*
98.6%	Percentage of planned food safety inspections undertaken (available annually) (Principal Environmental Health Officer)	99.37%	98%
16	Number of formal stage 1 complaints registered (Deputy Chief Executive)	20	5
141	Number of households accessing Council homelessness services (Housing Services Manager)	180	143
22	Number of homeless applications received (Housing Services Manager)	35	27
8	Number of households to whom a full duty is owed (Housing Services Manager)	3	3
98.6%	Projected year end percentage of Council Tax Collected (Director of Finance)	98.6	98.1
6.3	Number of working days lost to sickness (Full Time Equivalent) (Assistant Director Organisational Development)	7	6.69
22 days	Time taken to process new HB/CTRS claims (Assistant Director Revenues and Benefits)	23 days	26 days
81%	Percentage of minor applications determined within 8 weeks (Deputy Director Technical Services)	90%	94.1%

*Excluding the impact of poor weather conditions where collection was not possible.

The performance indicators show that performance is generally on target. In terms of some of the trends seen between years and against the 2017-2018 targets:

- During the year the Council implemented a new Revenues and Benefits system. This major project required significant staff resources and is linked to the performance around Council Tax Collection and the processing time of Benefits claims. This is not expected to recur for 2018-2019.
- The Complaint's Policy was revised by Accounts and Governance Committee in February 2017. For 2017-2018 the KPI figure reflects those complaints which have been registered as formal Stage 1 complaints. 9 complaints were received which fall outside the new procedure because there are processes more suitable for dealing with them or because they are outside of the Council's control. The Council's complaints figures are fully reported annually to Accounts and Governance Committee in September. Had these 9 cases been registered as stage 1 complaints, it would make the 2017-2018 figure comparable to the prior year.
- The number of households to whom a duty is owed was on target but reduced from the prior year. This shows a reduction in demand consistent with the Council's homelessness prevention activity. Significant changes have been made to the homelessness regulations for 2018-2019 which may alter the scope of those cases where a duty is owed but this was not in force for 2017-2018.
- The percentage of minor applications determined within 8 weeks improved mainly due to more pro-active case management.

Overall, the key performance data suggests that the Council is achieving its objectives.

Financial Resilience and Medium Term Financial Plan

The Council's MTFP, agreed as part of setting the 2018-2019 budget shows, once non-recurring expenditure is excluded, a balanced base budget:

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Base Budget	8667	8834	9055	9221
Penrith New Squares	-814	-820	-826	-831
Local Elections	0	60	0	0
Parish Grant re CTRS	15	15	15	16
Interest/Property Fund Rents Receivable	-312	-297	-266	-262
Second Homes Grant from the County	-219	-224	-228	-233
Proposed Growth: Recurring	121	123	126	129
Recurring Expenditure	7458	7691	7876	8040
Non-Recurring Costs:				
Proposed Growth: Non-Recurring	83	79	76	52
Previous Growth: Non-Recurring	59	13	0	0
Audio System for Council Chamber	30			
Asset Valuation		15		
Apprenticeship Levy	15			
Revenue Contribution to Capital	167	885	561	341
Appleby Heritage Action Zone	31	51	46	26
Parish and Town Council Reserve	300			
Other	1	4	4	4
Non-Recurring Expenditure	686	1047	687	423
Net Expenditure (Recurring and Non-Recurring)	8144	8738	8563	8463
Government Funding and Council Tax Income	-7376	-7811	-7953	-8077
Deficit	768	927	610	386

As noted above, taking out one off items leaves a broadly balanced position. The Council's reserves, will be used to support these non-recurring items. Given the strong reserves position, this level of draw down on reserve balances is not judged to create a significant risk to the Council's robustness over the medium term.

There are a number of uncertainties within the projections these include:

- Inflation;
- Fluctuation in Income from retained Business Rates;
- Central Government Funding;
- Second Homes income from the County Council;
- The impact of Brexit; and
- Potential changes in pension contributions.

Further details are set out in Budget report presented to Council on 15 February 2018 (Ref: F14/18). Overall, it is judged that the Council is in a robust financial position; the underlying base budget is in balance with resources available to address challenges to this in a planned and considered way. Operationally, the Council Plan is due to be refreshed during the next reporting period. It may be that priorities for the Council change and these changes will need to be reflected in future MTFPs. There may be opportunities to develop some areas of service, particularly with reference to supporting the Heart of Cumbria Limited and looking at moving forward with the Council's Commercial Plan.

Governance

As a publicly funded body, the Council's core values aim for the highest standards of governance and conduct; for further details, please refer to the Annual Governance Statement which is available via the Council's website. A number of governance actions were raised during 2016-2017, a number of which related to controls around the Council's wholly owned company, the Heart of Cumbria Limited. Significant progress has been made during the year to address these.

Conclusion

Overall, although there is significant uncertainty, particularly around future funding levels, the Council is in a robust financial position. The Council's resources are being used toward achieving the Council Plan objectives although these may change over the next 12 months as the Plan is reviewed. The Council is also acting on opportunities to enhance its sustainability, for example through the Heart of Cumbria limited. Although this creates certain challenges the strong resources and governance arrangements put the Council in a resilient position over the medium term.

C W Howey CPFA
Director of Finance

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities:

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Director of Finance's Responsibilities:

- The Director of Finance is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA (2017) Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018 ('the Code'), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code.

The Director of Finance has also:

- Kept proper accounting records which are up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- Considered whether, up to the issue date, there have been any events occurring after the date of the Balance Sheet requiring disclosure.

The Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year then ended.

C W Howey CPFA
Director of Finance

Date: 26 July 2018

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (those that can be applied to fund expenditure or reduce Council Tax) and ‘other reserves’. The surplus/deficit shown against Provision of Services shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting purposes. Further analysis of this is shown in note 1 Expenditure and Funding Analysis. The net increase/decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

	Note	General Fund Balance £’000	Capital Receipts Reserve £’000	Capital Grants Unapplied £’000	Total Usable Reserves £’000	Unusable Reserves £’000	Total Authority Reserves £’000
Balance at 31.3.17		**14,395**	**1,324**	**249**	**15,968**	**26,491**	**42,459**
Surplus/deficit on provision of services (accounting basis)		1,155	0	0	1,155	0	1,155
Other Comprehensive Expenditure and Income		0	0	0	0	5,163	5,163
Total Comprehensive Expenditure and Income		**1,155**	**0**	**0**	**1,155**	**5,163**	**6,318**
Adjustments between accounting basis and funding basis under regulations	9	-1,546	33	158	-1,355	1,355	0
Increase/decrease in year		**-391**	**33**	**158**	**-200**	**6,518**	**6,318**
Balance at 31.3.18		**14,004**	**1,357**	**407**	**15,768**	**33,009**	**48,777**

The comparative figures from 2016-2017 are below:

	Note	General Fund Balance £’000	Capital Receipts Reserve £’000	Capital Grants Unapplied £’000	Total Usable Reserves £’000	Unusable Reserves £’000	Total Authority Reserves £’000
Balance at 31.3.16		**11,918**	**1,274**	**137**	**13,329**	**30,336**	**43,665**
Surplus/deficit on provision of services (accounting basis)		2,033	0	0	2,033	0	2,033
Other Comprehensive Expenditure and Income		0	0	0	0	-3,239	-3,239
Total Comprehensive Expenditure and Income		**2,033**	**0**	**0**	**2,033**	**-3,239**	**-1,206**
Adjustments between accounting basis and funding basis under regulations	9	444	50	112	606	-606	0
Increase/decrease in year		**2,477**	**50**	**112**	**2,639**	**-3,845**	**-1,206**
Balance at 31.3.17		**14,395**	**1,324**	**249**	**15,968**	**26,491**	**42,459**

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax. Councils charge Council Tax to cover expenditure in accordance with regulations which may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016-17 Gross Expend Restated £'000	2016-17 Gross Income Restated £'000	2016-17 Net Expend Restated £'000	Expenditure on Services	2017-18 Gross Expend £'000	2017-18 Gross Income £'000	2017-18 Net Expend £'000	Notes
696	-54	642	Commercial Services Portfolio	961	-211	750	
1,093	-38	1,055	Communities Portfolio	971	-41	930	
1,222	-534	688	Eden Development Portfolio	1,197	-863	334	
1,699	-1,574	125	Housing and Health Portfolio	1,716	-1,077	639	
122	0	122	Leader Portfolio	138	-22	116	
13,032	-10,418	2,614	Resources Portfolio	12,384	-9,161	3,223	
3,846	-1,536	2,310	Services Portfolio	3,985	-1,494	2,491	
21,710	**-14,154**	**7,556**	**Cost of Services**	**21,352**	**-12,869**	**8,483**	
760	**-281**	**479**	**Other Operating Expenditure**	**917**	**-189**	**728**	11
1,750	**-2,757**	**-1,007**	**Financing & Investment Income & Expenditure**	**1,551**	**-2,808**	**-1,257**	12
6,468	**-15,529**	**-9,061**	**Taxation and Non-Specific Grant Income**	**6,415**	**-15,524**	**-9,109**	13
30,688	**-32,721**	**-2,033**	**Surplus/deficit on the Provision of Services (-/+)**	**30,235**	**-31,390**	**-1,155**	35
0	-45	-45	Surplus/deficit on Revaluation of Non-current assets	52	-2,144	-2,092	14
70	0	70	Surplus on Revaluation of Available for Sale Financial Assets	0	-204	-204	30
3,214	0	3,214	Remeasurement of the Net Defined Benefit Liability	36	-2,903	-2,867	45
3,284	**-45**	**3,239**	**Other Comprehensive Income and Expenditure**	**88**	**-5,251**	**-5,163**	
33,972	**-32,766**	**1,206**	**Total Comprehensive Income and Expenditure**	**30,323**	**-36,641**	**-6,318**	

Balance Sheet as at 31 March 2018

The Balance Sheet shows the value of assets and liabilities held by the Council as at the Balance Sheet date. The Council's net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and statutory limitations on use. Unusable reserves hold unrealised gains and losses and cannot be used to provide services. Examples of these are the Revaluation Reserve, Capital Adjustment Account, and Pensions Reserve.

31 March 17 £'000		31 March 18 £'000	Notes
20,496	Property, Plant and Equipment	22,713	14
689	Heritage Assets	783	15
16,686	Investment Property	17,170	16
96	Intangible Assets	278	17
5,094	Long Term Investments	5,288	21
811	Long Term Debtors	1,431	19
43,872	**Total Long Term Assets**	**47,663**	
11	Inventories	12	
4,126	Short Term Debtors	3,170	20
5,995	Short Term Investments	5,995	21
2,691	Cash and Cash Equivalents	4,627	22
515	Assets Held for Sale	541	23
13,338	**Total Current Assets**	**14,345**	
-2,803	Short Term Creditors	-3,103	24
-231	Provisions	-409	25
-55	Short Term Borrowing	-55	26
-3,089	**Total Current Liabilities**	**-3,567**	
-83	Long Term Borrowing	-28	26
-11,579	Pension Liability	-9,636	45
-11,662	**Total Long Term Liabilities**	**-9,664**	
42,459	**Net Assets**	**48,777**	
15,968	Usable Reserves	15,768	28
26,491	Unusable Reserves	33,009	29
42,459	**Total Reserves**	**48,777**	

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year then ended. These accounts replace the unaudited accounts which were authorised for issue on 31 May 2018.

Signed: C W Howey CPFA
Director of Finance
Date: 26 July 2018

Signed: Councillor Karen Greenwood
Vice-Chairman Accounts and Governance Committee
Date: 26 July 2018

Cash Flow Statement

The Cash Flow Statement shows changes in cash and cash equivalents of the Council during the year. 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 operating activities is a key indicator of the extent to which the operations of the Council are funded from Council Tax and grant income, or from the recipients of services provided by the Council. Investing activities show the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service provision. Cash flows arising from financing activities are useful in predicting claims on future cash flows due to borrowing.

2016-17 £'000		2017-18 £'000	Notes
2,033	**Net surplus or deficit (-) on service provision**	**1,155**	31
-572	Adjust net surplus or deficit on the provision of services for non-cash movements	1,560	31
-764	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-908	31
697	**Net Cash Flow from Operating Activities**	**1,807**	31
-540	Net Cash Flows from Investing Activities	-789	33
-1,181	Net Cash Flows from Financing Activities	918	34
-1,024	**Net Increase/ Decrease in Cash and Cash Equivalents**	**1,936**	
3,715	Cash and Cash Equivalents at 1 April	2,691	22
2,691	Cash and Cash Equivalents at 31 March	4,627	22
-1,024	**Net Increase/(-) Decrease in Cash and Cash Equivalents**	**1,936**	22

Note A - Accounting Policies

A1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017-2018 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which should be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. 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.

The financial statements are prepared on a going concern basis. They are prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

A2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract; and
- 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

A3. Cash and Cash Equivalents

Cash comprises cash in hand, deposits held with financial institutions repayable without penalty on notice of not more than twenty-four hours and bank overdrafts. Cash equivalents are short term, highly liquid investments and may include deposits with original maturities of three months or less if these are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Liquidity will be assessed on a case by case basis with reference to for example, whether the deposit is tradeable or how long after the balance sheet date the investment may mature.

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

A4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

A5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies, or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, 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. Note 2 sets out the details of changes to the Comprehensive Income and Expenditure Statement, Cost of Services, following changes to the Portfolio Holder structure.

A6. 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 losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP) or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

A7. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within twelve 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 (for example, leased 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 leave, for example, time off in lieu) earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond; and
- The assets of the Cumbria County Council 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 – market value.

- the change in the net pensions liability is analysed into the following components:

  Service Cost Comprising:

  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs; and
  - Net interest on the net defined liability (asset), that is, the net interest cost for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;

  Re-measurements Comprising:

  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - 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 actuary has updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the Cumbria County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. The Council's Actuary provides expert advice on the assumptions applied.

The effects of the net pensions liability of changes in individual assumptions can be measured. These assumptions interact in complex ways. Changes affecting the net pension liability and pension reserve in the Balance Sheet and have no effect on the General Fund Balance.

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 that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. 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 cash flows, rather than as benefits that are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. 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.

A8. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

A9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest that the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 asset is written down and a charge is made to the relevant service (for receivables specific to that service), or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is 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.

Investments are classified as either long term assets, repayable after 12 months or longer, or as current assets if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost using the effective interest rate of the individual investments. For all investments at the Balance Sheet date, this means the amount shown in the Balance Sheet is the amount of principal due to be repaid to the Council and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable by the Council under the agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale-Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts 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.

A10. 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. Where 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 fund capital expenditure.

A11. Business Improvement District (BID)

A Business Improvement District (BID) scheme applies across part of Penrith. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the scheme. The Council collects this income on behalf of the BID and pays all income collected to the BID.

A12. Heritage Assets

Tangible and Intangible Heritage Assets are described in this summary of significant accounting policies as Heritage Assets. The Council's Heritage Assets are held in the Council's Museum. The Museum has a collection of Heritage Assets which are held in support of the primary objective of the Council's Museum, increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. The Council's collection of Heritage Assets is accounted for as follows:

Ceramics and porcelain work

The collection includes ceramics and porcelain works. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. Additionally, the items are sampled periodically and reviewed against the relevant antique and ceramic trade press quarterly to ensure the adequacy of the valuation. The ceramics and porcelain works are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation; and

The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Museum's curators in accordance with the Council's policy on valuations of ceramics, porcelain work and figurines

Pottery

The Council's Museum holds a collection of pottery ephemera which is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 and, as far as the Council is aware, no individual item is worth more than £500. The majority of the collection was acquired by donation during the preceding 50 years;

Art collection

The art collection includes paintings (both oil and watercolour) and sketches and is reported in the Balance Sheet at insurance value. There is an annual programme of valuations and the items in the collection are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value, hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Other

In addition, there is a collection of recordings of both sound and amateur film of local life. Again, the Council consider that due to the lack of any comparable market values, it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the Council does not recognise the assets on the Balance Sheet; and

Acquisitions are again initially recognised at cost or, if bequeathed or donated, at nil consideration, at valuation.

Archaeology

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet; and

The Council's acquisitions principally relate to the collection donated in the early twentieth century. The Council does not (normally) make any purchase of archaeological items.

Heritage Assets General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, for example, where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

A13. Long Term Contracts

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

A14. 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. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) Capital Receipts Reserve.

A15. 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 property, plant or equipment from the lessor to the lessee. All other leases are classed as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Prima facie, a lease of land is an operating lease.

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

The Council as Lessor

Finance Leases

When 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 (whether property, plant, and equipment, or Assets 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. A gain, representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is, netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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 the 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. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property, or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, 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.

A16. Overheads and Support Services

Cost of Staff Overheads

Although the Comprehensive Income and Expenditure Statement is prepared in line with the Council's portfolio structure, in accordance with CIPFA's Service Reporting Code of Practice 2017-2018 (SeRCOP) guidance, the policy of fully allocating support services to other service and accounts of the Council is followed. The basis of allocation for the cost of support services are outlined below:

Cost	Basis of Allocation
Employees	Actual Time Spent
Administrative Buildings	Area Occupied
Computing	Number of personal computers as proxy for actual use

A17. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation, or enhancement of property, plant and equipment has been capitalised. A de-minimis level of £10,000 has been set. Below this level, expenditure is treated as revenue.

In accordance with CIPFA's and the Royal Institute of Chartered Surveyors' guidance, a full revaluation is undertaken every five years of the Council's tangible non-current assets. A full revaluation was undertaken as at 31 March 2015. In the period between the full revaluations, the valuer is asked to value the non-current assets on an annual basis. These valuations are usually desk top valuations.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (that is, 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 line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following bases:

Assets	**Property, Plant and Equipment**	**Basis of Valuation**
Operational	**Other Land and Buildings**	
	Specialised Properties	Depreciated Replacement Cost (Current Value)
	Non-Specialised Properties	Existing Use Value (Current Value)
	Vehicles, Plant and Equipment	Historical Cost (proxy for Current Value)
	Infrastructure Assets	Depreciated Historical Cost
	Community Assets	Historical Cost
Non-Operational	Surplus Assets	Fair Value
	Assets Under Construction	Historical Cost

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at fair value or current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value or current value at the year-end, but as a minimum every five years. 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 a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure 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 impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 (freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the item; and
- Infrastructure – straight-line allocation over twenty-five years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the cost of the item, the components are 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 charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the cost of the item, the components are depreciated separately.

The Council has set a componentisation policy whereby any asset with a gross value of more than £250,000, and is subject to depreciation, will be considered for componentisation where a component is deemed to be greater than 20% of the asset's value. For existing assets the components are recognised on replacement or when a revaluation has taken place. Componentisation is required where the value of a component is material to the value of the whole asset and has a different useful life. This applies primarily to buildings and components to be considered will be:

- Heating and ventilation systems;
- Windows;
- Electrical works and installations;
- Water systems;
- Roofing; and
- Lifts.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset 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 and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classed 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 is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, or Assets 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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. The receipt is credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement)). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

A18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 now 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 (for example, from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement 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 resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

A19. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the 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 and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

A20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

A21. VAT

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

A22. Group Accounts

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interest in subsidiaries, associates, or joint ventures. The Council has set up a company called Heart of Cumbria Limited, which is wholly owned by the Council. Where the scale or nature of transactions is deemed material, group accounts will be prepared including notes where these are materially different from those of the single entity accounts, once inter-group transactions have been removed.

A23. Agency Arrangements

The Council is a billing authority and, as such, acts as agent in collecting and distributing Council Tax and National Non Domestic Rates (NNDR) on behalf of major preceptors and itself. The financial statements therefore only include the Council's share of Council Tax and NNDR. Only the income received in NNDR relating to the Council is recognised in the Income and Expenditure Account and a debtor or creditor for cash collected from NNDR debtors but not paid to preceptors, or overpaid to preceptors is recognised in the Balance Sheet.

A24. Collection Fund Income

The Council is a Billing Authority and, as such, is required to bill residents and businesses in its area for Council Tax and National Non-Domestic (Business) Rates (NNDR). The Council acts as agent on behalf of the major precepting authorities: Cumbria County Council and the Police and Crime Commissioner for Cumbria for Council Tax, and the Government and Cumbria County Council for NNDR. The accounts only show the amounts owed by and to taxpayers in respect of this Council's Council Tax and NNDR. Major precepting authorities are shown as net debtors or creditors on the Balance Sheet.

The amounts included in the Comprehensive Income and Expenditure Statement include the accrued amount of Council Tax and NNDR collected as well as amounts from previous years' estimates. This adjustment is reversed in the Movement in Reserves Statement and Collection Fund Adjustment Account.

A25. Accounting Estimates

Financial statements' preparation requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information regarding significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the notes for:

- Non-current assets;
- Provisions;
- Contingent assets and liabilities;
- Accruals of income and expenditure; and
- Pension scheme liabilities.

A26. 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.

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council 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 Council uses valuation techniques 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.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- 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; and
- Level 3 - unobservable inputs for the asset or liability.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis reconciles the surplus/deficit on the provision of services to the impact on the General Fund. This shows the impact of proper accounting practice and statutory adjustments.

	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Commercial Services Portfolio	605	145	750
Communities Portfolio	695	235	930
Eden Development Services portfolio	221	113	334
Housing and Health Portfolio	616	23	639
Leader Portfolio	43	73	116
Resources Portfolio	2,939	284	3,223
Services Portfolio	2,326	165	2,491
Net cost of services	**7,445**	**1,038**	**8,483**
Other income and expenditure	-7,054	-2,584	-9,638
Surplus / deficit (-/+)	**391**	**-1,546**	**-1,155**
General fund balance 31 March 2017	-14,395		
Surplus/deficit in year (-/+)	391		
General Fund balance 31 March 2018	**-14,004**		

Adjustments to Funding and Accounting Basis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

	Adjustments for capital purposes	Net change for the pensions Adjustment	Accumulated absences and Collection fund adjustment	Total Adjustments
	£000	£000	£000	£000
Commercial Services Portfolio	98	37	10	145
Communities Portfolio	235	0	0	235
Eden Development Services Portfolio	0	108	5	113
Housing and Health Portfolio	-105	125	3	23
Leader Portfolio	4	67	2	73
Resources Portfolio	108	163	13	284
Services Portfolio	41	120	4	165
Net cost of services	**381**	**620**	**37**	**1,038**
Other income and expenditure from the funding analysis	-2,139	303	-748	-2,584
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**-1,758**	**923**	**-711**	**-1,546**

Expenditure and Funding Analysis 2016-2017 Restated

These figures have been restated in line with amendments to the CIES and to correct the split of IAS19 adjustments between net cost of services and other income and expenditure.

	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Commercial Services Portfolio	541	101	642
Communities Portfolio	821	234	1,055
Eden Development Portfolio	639	49	688
Housing and Health Portfolio	64	61	125
Leader Portfolio	81	41	122
Resources Portfolio	2,492	122	2,614
Services Portfolio	2,200	110	2,310
Net cost of services	**6,838**	**718**	**7,556**
Other income and expenditure	-9,315	-274	-9,589
Surplus / deficit (-/+)	**-2,477**	**444**	**-2,033**
General Fund 31 March 2016	-11,918		
Surplus / deficit (-/+)	-2,477		
General Fund 31 March 2017	**-14,395**		

Adjustments to Funding and Accounting Basis Restated

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

	Adjustments for capital purposes £000	Net change for the pensions Adjustment £000	Accumulated absences and collection fund £000	Total Adjustments £000
Commercial Services Portfolio	82	20	-1	101
Communities Portfolio	234	0	0	234
Eden Development Portfolio	0	48	1	49
Housing and Health Portfolio	-9	67	3	61
Leader Portfolio	4	39	-2	41
Resources Portfolio	118	1	3	122
Services Portfolio	41	65	4	110
Net cost of services	**470**	**240**	**8**	**718**
Other income & expenditure from the funding analysis	-399	284	-159	-274
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**71**	**524**	**-151**	**444**

2. Prior Period Restatement of Service Expenditure and Income

During the year, the Council has re-structured its Portfolio structure, removing the Economic Development Portfolio and adding in the Eden Development Portfolio and the Commercial Services Portfolio. This has meant that the 2016-2017 figures have been re-stated under the new structure. The tables below show how figures from the old structure (the column headings) have been split out into the new structure (the row headings) in the Comprehensive Income and Expenditure statement.

Gross Expenditure £000

	Communities	Economic Development	Housing & Health	Leader	Resources	Services	Total restated
Commercial Services	0	696	0	0	0	0	696
Communities	963	130	0	0	0	0	1,093
Eden Development	336	0	0	0	0	886	1,222
Housing & Health	0	0	1,699	0	0	0	1,699
Leader	0	0	0	122	0	0	122
Resources	0	0	0	0	13,032	0	13,032
Services	0	0	0	0	0	3,846	3,846
Total 2016-2017 accounts	1,299	826	1,699	122	13,032	4,732	21,710

Income £000

	Communities	Economic Development	Housing & Health	Leader	Resources	Services	Total restated
Commercial Services	0	-54	0	0	0	0	-54
Communities	-36	-2	0	0	0	0	-38
Eden Development	-10	0	0	0	0	-524	-534
Housing & Health	0	0	-1,574	0	0	0	-1,574
Leader	0	0	0	0	0	0	0
Resources	0	0	0	0	-10,418	0	-10,418
Services	0	0	0	0	0	-1,536	-1,536
Total 2016-2017 accounts	-46	-56	-1,574	0	-10,418	-2,060	-14,154

Net Expenditure £000

	Communities	Economic Development	Housing & Health	Leader	Resources	Services	Total restated
Commercial Services	0	642	0	0	0	0	642
Communities	927	128	0	0	0	0	1,055
Eden Development	326	0	0	0	0	362	688
Housing & Health	0	0	125	0	0	0	125
Leader	0	0	0	122	0	0	122
Resources	0	0	0	0	2,614	0	2,614
Services	0	0	0	0	0	2,310	2,310
Total 2016-2017 accounts	1,253	770	125	122	2,614	2,672	7,556

3. Subsidiary Activity

Heart of Cumbria limited is a wholly owned subsidiary of the Council set up with an initial £1 of shareholder equity. It had no trading during 2016-2017 and limited expenditure during 2017-2018. An authority shall produce group accounts unless the interest is not considered material (the company would not meet the definition as available for sale under the Code).

Group accounts are prepared by combining like items and eliminating any intra group transactions. As at 31 March 2018, this would leave an immaterial amount; the Council provided the Company with a grant of £43,000 in 2017-2018, most of which has been spent on revenue activities in preparation for a significant capital acquisition of affordable housing units in Penrith, including the cost of Council resources utilised directly for the purposes of the company. A small amount of cost (less than £10,000) was judged to meet the recognition criteria for capital, being incurred during 2017-2018 but after it was reasonably certain that the acquisition would proceed. This date was taken to be the 16 February 2018, the day after the financing package was approved by the Council without which the company would not be able to proceed with the planned purchase of up to 86 affordable housing units. Overall, this leaves the net assets of the company at £1.

In terms of the single entity accounts, the amounts shall be presented in the Council's statements within investments at cost or fair value. It is judged that given the nature of the short term assets and liabilities within the company's statement of financial position at 31 March 2018, either measurement basis this would give the same answer of £1 and so is below the rounding factor applied to the Council's statements (£1000).

Council on 12 July 2018 resolved to approve an exemption from audited accounts, under section 479A of the Companies Act 2006, for Heart of Cumbria limited (10245262) and guarantee the liabilities of the company that were outstanding as at 31 March 2018. At the date Council approved the exemption, there were no material liabilities of the company relating to 2017-2018 outstanding.

It is anticipated that group accounts will be required for 2018-2019 with material transactions expected relating to the acquisition of affordable houses and the issue and settlement of £1m of share capital by the company to the Council. The shares were issued by the company and paid for by the Council during May 2018.

4. Accounting standards that have been issued but not yet adopted

At the balance sheet date the following new standards and amendments to existing standards relevant to the Council have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets based on the contractual cashflows and business model for holding the assets. This may result in amounts currently held in the Financial Instruments Available for Sale Reserve for increases in investment capital values being credited into the General Fund. The recognition of expected credit losses is not anticipated to be material;
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council will review its contractual revenue streams to ensure income recognition is in line with the new standard, it is anticipated that the relevant income streams will already be consistent with the new requirements;
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. The impact will be mainly presentational, the revenue impact will be neutral. Given the Council's limited exposure as lessee, there is expected to be minimal impact; and
- Amendments to IAS 7 statement of cash flows; this may impact on the presentation of some elements of the cash flow statement.

5. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make judgements about complex transactions, or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The uncertainty regarding future levels of local government funding and the financial impact of the decision for Britain to leave the European Union remains unclear. At present, the Council's view is that this uncertainty does not require any material change to asset values or service provision;
- The Council has judged the activity of its wholly owned subsidiary company, Heart of Cumbria Limited, was not material for 2017-2018 and so has not prepared group accounts. Further details are presented in note 3 above; and
- The Council has judged that although the value of Leisure assets has increased materially, as these are estimates based on the information available at the time of compiling the 2016-2017 accounts, there was no error in the prior year accounts; no restatement of 2016-2017 for this issue has been completed.
- The Council has judged that £2m of fixed term investments with an original term of less than 3 months but which were not tradeable and not due to mature until the end of April 2018, did not meet the criteria of cash and cash equivalents. These have been presented as short term investments in the Balance Sheet.

The Council keeps these matters under regular review.

6. 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 have been made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results may be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2018, for which there is a risk of adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Where appropriate, assets are depreciated over useful lives, dependent on assumptions about the level of repairs and maintenance incurred in relation to individual assets. The Council may not sustain current spending levels on repairs and maintenance, bringing the useful lives assigned into doubt.	If useful lives reduce, depreciation charges increase and the carrying amount of assets decrease. It is estimated that the annual charge for depreciating assets would increase by £16,000 for every year that useful lives are reduced by.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the projected rate of salary increase, changes in retirement age, mortality rates and expected return on pension fund assets. The pension fund actuaries provide the Council with expert advice regarding the assumptions to be applied.	A sensitivity analysis is included within the Retirement Benefits note.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (that is, the level 1 inputs) their fair value is measured using suitable valuation techniques. These judgements would include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. If level 1 inputs are not available, the Council will engage expert assistance to identify the most appropriate valuation techniques to determine fair value. Information about any valuation techniques and inputs used in determining fair value of the Council's assets and liabilities is explained in the relevant notes.	Further disclosures around the fair values for relevant asset categories can be found in the relevant notes (Investment Properties, Surplus Assets, Financial Instruments). These values are reviewed annually and would only impact on the Council at the point any gains or losses were realised, for example on disposal. The impact would vary on an asset by asset basis; the regular valuations should minimise the risk of material unexpected gains or losses being recognised. Where valuations are at level 3, these will be highly sensitive to changes in the unobservable inputs.
Provisions	The Council has two provisions in its accounts at 31 March 2018: £390,000 for unresolved Business Rates appeals and £19,000 for the Municipal Mutual Insurance Limited liability. It is not certain that the total amount of the provisions will be required.	Should the whole amount of the provisions not be required, then the unused balance will be credited to General Fund Reserves, thereby decreasing revenue expenditure in 2018-2019.
Arrears	In the Balance Sheet at 31 March 2018, the Council included an estimated impairment of doubtful debts of £330,000 has been calculated as appropriate. Such allowance may not be sufficient in future and may require reassessment.	If collection rates deteriorate, the impairment allowance for doubtful debts would increase. If it were determined that the allowance should increase by 10%, an extra £33,000 would need to be set aside.

7. Major Items of Income and Expense

The following are the major items that form part of the Comprehensive Income and Expenditure Statement but which are not separately disclosed either in that statement or elsewhere in the notes:

- Contract payment for Refuse Collection of £755,000 (2016-17, £719,000);
- Recycling credits income of £647,000; (2016-2017, £655,000);
- Housing Benefit paid to claimants of £8,231,000; (2016-17, £8,966,000) subsidised by Government Grant of £8,151,000;(2016-17, £8,952,000);
- Rental Income from the Penrith New Squares Scheme of £810,000 (2016-2017, £796,000); and
- Development Control income of £661,000 (2016-2017, £490,000).

8. Events after the Balance Sheet Date

The audited Statement of Accounts was authorised by the Director of Finance, C W Howey, CPFA, on 26 July 2018. 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 2018, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate. As set out in note 3 material transactions had taken place in relation to the Heart of Cumbria Ltd between the balance sheet date and issuing of the audited accounts. These were 2018-2019 transactions and so have no impact on the 2017-2018 financial statements.

9. Adjustments between Accounting Basis and Funding Basis

This note details the statutory adjustments that are made to the revenue surplus/deficit calculated using proper accounting practice. The following sets out a description of the usable reserves that the adjustments are made against.

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on 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 (or the deficit of resources that the Council is required to recover) at the end of the financial year;

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

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

2017-2018	General Fund	Usable Capital Receipts	Capital Grants unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pensions costs transferred from the Pensions Reserve	924	0	0	-924
Council Tax and Non Domestic Rates transferred from the Collection Fund	-749	0	0	749
Holiday Pay transferred to the Accumulated Absences Reserve	36	0	0	-36
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	120	0	394	-514
Total Adjustments to Revenue Resources	**331**	**0**	**394**	**-725**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale surplus/loss	-189	514	0	-325
Statutory provision for the repayment of debt	-12	0	0	12
Capital expenditure financed from General Fund balances	-1,676	0	0	1,676
Total Adjustments between Revenue and Capital Resources	**-1,877**	**514**	**0**	**1,363**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	-489	0	489
Application of Capital Grants to finance new capital expenditure	0	0	-236	236
Cash payments in relation to Long Term Debtors	0	8	0	-8
Total Adjustments to Capital Resources	**0**	**-481**	**-236**	**717**
Total Adjustments	**-1,546**	**33**	**158**	**1,355**

2016-2017	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pensions costs transferred from the Pensions Reserve	523	0	0	-523
Council Tax and Non Domestic Rates transferred from the Collection Fund	-158	0	0	158
Holiday Pay transferred to the Accumulated Absences Reserve	7	0	0	-7
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	471	0	372	-843
Total Adjustments to Revenue Resources	**843**	**0**	**372**	**-1,215**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-281	391	0	-110
Statutory provision for the repayment of debt	-10	0	0	10
Capital expenditure financed from General Fund balances	-108	0	0	108
Total Adjustments between Revenue and Capital Resources	**-399**	**391**	**0**	**8**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	-349	0	349
Application of Capital Grants to finance new capital expenditure	0	0	-260	260
Cash payments in relation to Long Term Debtors	0	8	0	-8
Total Adjustments to Capital Resources	**0**	**-341**	**-260**	**601**
Total Adjustments	**444**	**50**	**112**	**-606**

10. Transfers To/From Earmarked Reserves

These earmarked reserves are sums set aside from the General Fund to finance future capital or revenue expenditure. The movements are detailed below:

	01-Apr-16 £'000	Transfer Out £'000	Transfer In £'000	31-Mar-17 £'000	Transfer Out £'000	Transfer In £'000	31-Mar-18 £'000
Renewals Fund	933	-43	184	1,074	-397	202	879
IT Renewals Fund	40	-13	38	65	-20	25	70
Capital Funding Reserve	403	0	0	403	0	0	403
Business Rates Pool Volatility	53	0	0	53	-53		0
Homelessness	456	-11	0	445	-445	58	58
Repossession Prevention Fund	30	0	0	30	0	0	30
Building Regulations Surplus/Deficit	38	0	3	41	0	44	85
Rural Infrastructure Fund	10	0	0	10	-10	0	0
Community Fund	58	-122	145	81	-83	110	108
Affordable Housing Fund	1,707	-10	108	1,805	-207	383	1,981
BRRS Reserve	0	0	843	843	0	0	843
Community Housing Fund	0	0	938	938	-3	0	935
Penrith Vision	0	0	0	0	0	100	100
Appleby HAZ	0	0	0	0	0	84	84
Custom Build and Brown field sites planning policy	0	0	0	0	0	61	61
Other earmarked reserves less than £20,000	39	-13	3	29	-3	3	29
	3,767	**-212**	**2,262**	**5,817**	**-1,221**	**1,070**	**5,666**

The main purpose of each reserve is as follows:

Reserve	Purpose of reserve
Renewals Fund	Set aside to support ongoing renewal of operational assets.
IT Renewals Fund	Set aside to support ongoing renewal of IT assets.
Capital Funding Reserve	Set aside to support the Capital Programme.
Business Rates Pool Volatility	Set aside as part of the business rates pool agreement up to 2017-2018 to protect against potential losses in the pool.
Homelessness	Set aside to support initiatives around homelessness and housing.
Repossession Prevention Fund	Set aside to provide support for home owners facing potential repossession.
Building Regulations Surplus/Deficit	Statutory reserve from Building Control trading activities. To be used only in relation to Building Control.
Rural Infrastructure Fund	To support rural infrastructure projects, now forms part of the community fund.
Community Fund	Fund to support one-off projects from local organisations to deliver projects that benefit communities in Eden.
Affordable Housing Fund	Funds set aside to support affordable housing initiatives, including relevant S106 income.
BRRS Reserve	Funds set aside to support economic development investment in the District.
Community Housing Fund	Government funding to support community led housing schemes.
Penrith Vision	Government funding to support local infrastructure strategy.
Appleby HAZ	English Heritage funding to support Heritage Action Zone activity.
Custom Build and Brown field sites planning policy	Government funding to support planning activity around brownfield and custom build sites.

11. Other Operating Expenditure

2016-17 £'000		2017-18 £'000
760	Parish Council Precepts	917
-281	Gain (-)/Loss on Disposal of Non-Current Assets	-189
479	**Total**	**728**

12. Financing and Investment Income and Expenditure

2016-17 £'000		2017-18 £'000
11	Interest Payable and Similar Charges	3
284	Net Interest on the Pension Net Defined Liability	303
-362	Interest Receivable and Similar Income	-354
-940	Income and Expenditure in relation to Investment Property and Changes in Fair Value	-1,209
-1,007	**Total**	**-1,257**

13. Taxation and Non-Specific Grant Incomes

2016-17 £'000		2017-18 £'000
-4,501	Council Tax Income	-4,747
-1,387	Non-Domestic Rates Income (Local Share)	-1,116
-573	NNDR Top Up Grant	-1,187
-708	Revenue Support Grant	-324
-1,682	Non-Ring-Fenced Government Grants	-1,518
-210	Other	-217
-9,061	**Total**	**-9,109**

14. Property, Plant and Equipment

The table below sets out the transactions relating to Property, Plant and Equipment in 2017-2018:

	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation at 1.4.17	**18,509**	**838**	0	**2,211**	**188**	**831**	**22,577**
Additions	262	20	654	79	0	0	**1,015**
Revaluations – Revaluation Reserve	1,184	0	0	0	0	35	**1,219**
Disposals	0	-304	0	0	0	0	**-304**
Transfer	0	0	0	0	-8	-343	**-351**
Cost/ Valuation at 31.3.18	**19,955**	**554**	**654**	**2,290**	**180**	**523**	**24,156**
Accumulated Depreciation and Impairment 1.4.2017	**-718**	**-768**	**0**	**-595**	**0**	**0**	**-2,081**
Depreciation charge	-298	-39	0	-108	0	0	**-445**
Impairment (losses)/ reversals recognised in revaluation Reserve*	779	0	0	0	0	0	**779**
Disposal	0	304	0	0	0	0	**304**
As at 31.3.18	**-237**	**-503**	**0**	**-703**	**0**	**0**	**-1,443**
Net Book Value 31.3.18	**19,718**	**51**	**654**	**1,587**	**180**	**523**	**22,713**
Net Book Value 31.3.17	**17,791**	**70**	**0**	**1,616**	**188**	**831**	**20,496**

*Positive figures in this line represent writing out of accumulated depreciation and impairment on revaluation.

Comparative movements in 2016-2017 were:

	Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation at 1.4.16	**18,497**	**838**	**1,914**	**188**	**981**	**22,418**
Additions	12	0	297	0	0	**309**
Revaluations – Revaluation Reserve	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	**0**
Transfer	0	0	0	0	-150	**-150**
Cost/ Valuation at 31.3.17	**18,509**	**838**	**2,211**	**188**	**831**	**22,577**
Accumulated Depreciation and Impairment 1.4.16	**-408**	**-726**	**-507**	**0**	**0**	**-1,641**
Depreciation charge	-298	-42	-88	0	0	**-428**
Impairment (losses)/reversals recognised in Cost of Services	-12	0	0	0	0	**-12**
As at 31.3.17	**-718**	**-768**	**-595**	**0**	**0**	**-2,081**
Net Book Value 31.3.17	**17,791**	**70**	**1,616**	**188**	**831**	**20,496**
Net Book Value 31.3.16	**18,089**	**112**	**1,407**	**188**	**981**	**20,777**

All assets were owned as at 31 March 2017 and 31 March 2018. In accordance with CIPFA guidance, assets are valued on the following bases:

	Basis of Valuation	Depreciation	Asset Lives in Years
Land	Existing Use and Depreciated Replacement	No depreciation	
Buildings	Existing Use and Depreciated Replacement	Straight-Line	15-50
Vehicles, Plant and Equipment	Historical Cost	Straight-Line	3-10
Community Assets	Historical Cost	Not applicable	N/A
Surplus Assets	Fair Value	Not applicable	N/A
Infrastructure Assets	Historical Cost	Straight-Line	25
Assets Under Construction	Historical Cost	Not applicable	N/A

Valuations were reviewed by Walton Goodland, an independent firm of chartered surveyors. The last full valuation was as at 31 March 2015. Where evidence suggests that those carrying values would be materially different from the current value at the balance sheet date, further revaluations have been performed. For 2017-2018, this resulted in the Leisure assets being revalued in full.

The firm is independent, has recent knowledge of the local area and experience of this valuation work. The following table shows the Council's programme for valuation of non-current assets; vehicles, plant and equipment are valued at depreciated historical cost as a proxy for current value:

	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	**0**	**51**	**654**	**1,587**	**180**	**0**	**2,472**
Valued at current value at:	0	0	0	0	0	0	**0**
31-Mar-18	13,853	0	0	0	0	523	**14,376**
31-Mar-15	5,865	0	0	0	0	0	**5,865**
Total	**19,718**	**51**	**654**	**1,587**	**180**	**523**	**22,713**

The major operational assets of the Council are as follows:

Number at 31 March 2017		Number at 31 March 2018
2	Administrative Buildings	2
4	Sports Centres/Swimming Pools	4
16	Car Parks	16
13	Public Conveniences	13
20	Parks and Areas of Open Space	19
6	Cemeteries	6

Fair Value Hierarchy – Surplus Assets

Surplus assets comprise land holdings from which the Council does not provide services. These are held in the balance sheet and subject to recurring Fair Value measurement. The Council has reviewed all of its surplus assets and judged that these are at level 3 within the hierarchy, where largely unobservable inputs have been used which rely heavily on the professional judgement of the Council's valuer. Changes in value generally go through the revaluation reserve and do not impact on the surplus/deficit on the provision of services. This is necessary due to lack of quoted prices in active markets or other observable inputs (for example, similar but not identical transactions) for the assets in question. A summary of the assets and the valuation techniques is presented below:

	Value as at 31/3/2018 £000	2016-2017 Assessment	2017-2018 Assessment	Valuation Technique	Inputs	Yields Applied	Highest and Best?
Numerous Development land parcels	494	Level 2	Level 3	Market	Rate/acre influenced by location, condition, size, planning restrictions	between £10k and £180k/acre	Yes
Car park land	29	Level 2	Level 3	Income	Income, yield influenced by local factors	Income discounted at 7%	Yes
Total	**523**						

15. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council:

	Human History £'000	Art Collection £'000	Other £'000	Total £'000
Cost or Valuation 1 April 2016	108	536	45	689
Revaluations	0	0	0	0
Transfers	0	0	0	0
Cost or Valuation 31 March 2017	**108**	**536**	**45**	**689**
Revaluations	0	94	0	94
Transfers	0	5	-5	0
Cost or Valuation 31 March 2018	**108**	**635**	**40**	**783**

The Council's Human History Collection includes ceramics, pottery and other items of value held at its Museum. The collection was valued by Penrith, Farmers' and Kidd's Limited, who have specialist knowledge of these items. The items are reported in the Balance Sheet at insurance valuation based on market values.

The insurance valuations are updated annually. In addition, items will be periodically sampled and reviewed against relevant antique and ceramic trade press information annually to ensure the adequacy of the valuations. The Seal of Penrith is included in the Human History Collection and is valued at £27,000. It is an item of particular interest and is used on important Council documents.

The Council's external valuer for its art collection (Penrith, Farmers' and Kidd's Limited) reviewed the current carrying values of the collection based on an insurance valuation. In accordance with the valuer's advice, a small number of assets were increased in value for 2017-2018. The most significant piece of work in the collection is a work by Jacob Thompson entitled 'The Hope Beyond', valued at £160,000.

Other items include a geology collection, a photographic collection and various ceremonial items, including the Chairman's and Vice-Chairman's ceremonial regalia and Colleges of Arms held at the Council Chamber at the Town Hall in Penrith. The Council has also identified various War Memorials in the District and the gates at the entrance to Castle Park, Penrith as Heritage Assets. These items were assessed by Walton Goodland Limited as being deminimis and, as such, no valuation has been assigned to these for accounting purposes.

16. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2016-17 £'000		2017-18 £'000
961	Rental Income from Investment Property	978
-21	Direct Operating Expenses Arising from Investment Property	-31
940	**Net Gain/(-) Loss**	**947**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, or develop investment property, or repairs, maintenance, or enhancement. A valuation of the lease of the Penrith New Squares site, which is included in investment property, was undertaken by Walton Goodland, at 31 March 2018. The firm is independent, has recent knowledge of the local area and experience of this valuation work. Penrith New Squares is a phased development. The valuation at 31 March 2018 reflects the work completed to date and the planned timing of the completion of the remaining phases. The following table summarises the movement in the fair value of investment properties during the year.

2016-17 £'000		2017-18 £'000
16,796	Balance at the start of the year	16,686
-110	Disposals	0
0	Acquisitions	222
0	Net gain/loss from Fair Value adjustment	262
16,686	**Balance at year end**	**17,170**

The most significant Investment Property is Penrith New Squares, which was valued at £14.75m at 31 March 2018. This is on a long term lease which protects the Council from fluctuation in occupancy levels. The remaining properties are mostly Industrial Units. All these properties are held for the purposes of realising rental income and are leased to third parties.

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are:

Asset Type	NBV 31/3/2018 £000	Fair Value Hierarchy 31/3/2017	Fair Value Hierarchy 31/3/2018	Valuation Technique	Inputs	Yields
Penrith New Squares	14,750	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	5 to 5.5%
Station Road Industrial Estate, Alston	407	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	8 to 12%
Gilwilly Industrial Estate, Penrith	1,032	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	6 to 10.5%
Office units	414	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	8 to 10%
Retail Units	83	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	9%
Retail Units acquired in year	222	N/A	2	Market	Recent market activity (purchase price)	N/A
Appleby Heritage Centre	140	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	9.25
Land	122	2	3	Income	Income and yield selected based on location, demand, condition, use restrictions	5.5 to 8%
Total	**17,170**					

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. The fair value of the Council's investment property is measured annually. All valuations are undertaken by Walton Goodland, in accordance with the methodologies and bases set out in the professional standards of the Royal Institute of Chartered Surveyors. Walton Goodland work closely with Council officers reporting to the Director of Finance regarding all valuation matters. All investment properties have been judged as at level 3 of the fair value hierarchy; there are no quoted market prices for identical assets and often little by way recent market activity for similar assets. This means that the judgement of the valuer is a significant factor in the valuations provided. The only exception to this is the retail units in Corney Square, Penrith where the value is based on their recent purchase price. Changes in fair value are charged/credited to financing and investment income and expenditure.

17. Intangible Assets

Intangible Fixed Assets mainly comprise licences to use software. These are amortised to the Cost of Services over their expected useful economic lives on a straight-line basis, ranging from five to 12 years. A summary of spending and other movements during the year is shown below:

2016-17 £000		2017-18 £000
324	Cost/Value 1 April	368
0	Write out of fully utilised asset	-196
44	Expenditure in Year	223
368	Total	395
-232	Accumulated Depreciation	-272
0	Write out of fully utilised asset	196
-40	Depreciation in Year	-41
-272	Total Depreciation	-117
96	Net Book Value	**278**

18. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. The 2016-2017 comparators have been restated where this assists comparison with the 2017-2018 figures.

	Long Term		Current	
	2016-17 Restated	**2017-18**	**2016-17 Restated**	**2017-18**
Investments	**£000**	**£000**	**£000**	**£000**
Loans and Receivables	1,000	1,000	5,995	5,995
Available for Sale Financial Assets	4,094	4,288	0	0
Total Investments	**5,094**	**5,288**	**5,995**	**5,995**
Cash and Cash Equivalents				
Loans and Receivables	0	0	2,211	983
Available for Sale Financial Assets	0	0	480	3,644
Total Cash and Cash Equivalents	**0**	**0**	**2,691**	**4,627**
Debtors				
Loans and Receivables	290	910	1,246	1,114
Total Included in Debtors	**290**	**910**	**1,246**	**1,114**
Borrowings				
Financial Liabilities at amortised cost	-83	-28	-57	-55
Total Included in Borrowings	**-83**	**-28**	**-57**	**-55**
Creditors				
Financial Liabilities amortised cost	0	0	-1,380	-1,587
Total Creditors	**0**	**0**	**-1,380**	**-1,587**

A reconciliation of Financial Instruments to Balance Sheet Debtors and Creditors is shown below, the prior year values have been restated to include the long term debtors:

31-Mar-17 Restated			31-Mar-18	
Debtors £’000	Creditors £’000		Debtors £’000	Creditors £’000
		Value as per note above		
1,246	0	Short Term Debtors	1,114	0
290	0	Long Term Debtors	910	0
0	-140	Borrowings	0	-83
0	-1,380	Creditors	0	-1,587
3,401	-1,421	Non-contractual items	2,577	-1,516
4,937	**-2,941**		**4,601**	**-3,186**
		Balance Sheet		
0	-83	Long Term Borrowing	0	-28
4,126	-2,803	Short Term Debtor/Creditor	3,170	-3,103
811	0	Long Term Debtor	1,431	0
0	-55	Borrowing Repayable in 12 months	0	-55
4,126	**-2,941**	Total as per Balance Sheet	**4,601**	**-3,186**

Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2017-2018 in relation to financial instruments are made up as follows:

Financial Assets 2016-2017			Financial Assets 2017-2018	
Loans and Receivables £'000	Available for Sales Assets £'000		Loans and Receivables £’000	Available for Sale Assets £’000
6	0	Interest Costs	4	0
-24	0	Impairment Losses	23	0
-18	**0**	**Interest Payable and Similar Charges**	**27**	**0**
-146	-216	Interest Income	-133	-223
-146	**-216**	**Interest and Investment Income**	**-133**	**-223**
-164	**-216**	**Net Gain(-)/Loss for the year**	**-106**	**-223**

Fair Values of Financial Assets

The Council’s investment in a managed property fund is carried at fair value. The fair value is estimated by an assessment of the cost of exiting the fund this being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. In addition, the Council uses a number of managed funds with varying unit values that are held at market value. Although there is an active market, it is judged that as the information is not freely accessible, these investments were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly, at 31 March 2018 and 2017. This is judged to be the same for the fixed term deposits placed through the money markets; a price can be derived through market activity for similar deposits although this market data is not openly quoted and was obtained through the Council’s treasury advisor, Arlingclose limited.

In addition, within the long term debtor amounts are loans to un-rated organisations that were not agreed through the money markets. The material elements total £878,000 and relate to loans to Enterprise Answers and Eden Housing Association. These have been judged to fall within Level 3 of the fair value hierarchy as there is no active market for these instruments. A scenario technique was used to assess the difference in fair values assuming a BBB rating (the minimum investment grade) up to AA; this had little impact overall; the lower rating value was used provide a fair value given the yield and duration of each instrument, based on market data provided by Arlingclose limited.

31-Mar-17			31-Mar-18	
Carrying Amount £'000	**Fair Value £'000**	**Financial Assets**	**Carrying Amount £'000**	**Fair Value £'000**
10,573	10,573	Held at cost - primarily bank deposits and operational debtors	10,002	10,047
5,094	4,807	Available for Sale	7,932	7,932
15,667	**15,380**	**Total**	**17,934**	**17,979**

Fair Values of Financial Liabilities not Measured at Fair Value

Excepting those financial assets described in the table above, all other financial liabilities and financial assets held by the Council are classified as loans and receivables and long term debtors and creditors and are carried in the Balance Sheet at cost. The fair values calculated are:

31 March 2017			31 March 2018	
Carrying Amount £'000	**Fair Value £'000**	**Financial Liabilities**	**Carrying Amount £'000**	**Fair Value £'000**
1,380	1,380	Held at cost - primarily operational creditors	1,587	1,587
138	142	Borrowings	83	84
1,518	**1,522**	**Total**	**1,670**	**1,671**

The fair value of borrowings is higher than the carrying amount as the Council's loan debt was subject to premium at 31 March 2018 and 2017. The PWLB loan was assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2018 and 2017.

Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk - the possibility that the Council might not have funds available to meet its payment commitments;

Market risk - the possibility that a financial gain or loss might arise for the Council as a result of movements in interest rates;

Price risk - the possibility that a financial gain or loss might arise as a result of movements in the price of equity investments; and

Foreign exchange risk - the possibility that a financial gain or loss might arise as a result of fluctuations in foreign exchange rates.

The Council's annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management, as well as written policies within its Treasury Management Strategy, covering interest rate risk, credit risk and the investment of surplus cash balances as follows:

a. **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with banks and financial institutions unless they have an A- rating or higher. The Council has a policy of not lending more than £4m of its cash balances to any one institution. Customers are assessed, taking into account their financial position, past experience and other factors. The following analysis summarises the Council's potential maximum exposure to credit risk, based on the historic risk of default (for those with a credit rating this is based rating agency figures) and adjusted for current market conditions:

Investment strength	**Carrying Value at 31/3/2018**	**Default based on previous experience**	**Default adjusted for current market conditions**	**Estimated maximum exposure to default**
	£'000	**%**	**%**	**£000**
AAA	4,788	0.04%	0.04%	2
AA	3,000	0.00%	0.00%	0
A	3,001	0.00%	0.00%	0
Loans to other organisations**	1,910	0.00%	0.13%	3
Property Fund*	4,288	0.00%	0.00%	0
Customers (Debtors)***	1,114	25.40%	25.40%	283
	18,101			**288**

*This is shown for completeness, although there is judged to be negligible risk of default, there is a risk/opportunity linked to movement in the market price of the underlying property assets, see c below.

**Where unrated, the risk of default has generally been based on historic defaults of a BBB rated instrument (commonly used as the minimum investment grade).

***The majority of this exposure relates to recovery of housing benefit overpayments which can be difficult to recover. The exposure amount has already been assumed in the Council's income and expenditure as an impairment to the debtor balance.

The Council generally expects its customers to settle outstanding accounts within thirty-one days, so £141,000 of the amount owed by customers at 31 March 2018 of £1,114,000 is past its due date for payment. The aged-debt analysis of this sum is as follows:

2016-17 £'000		**2017-18 £'000**
1,038	Less than 1 month (current)	719
171	2 to 3 months	91
37	over 3 months	304
1,246	**Total**	**1,114**

b. **Liquidity Risk**

As the Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council borrowed during 2009-2010 to fund a capital scheme, as agreed by Council. All operational liabilities are due to be repaid within one year.

c. **Market Risk**

The Council is only exposed to limited risk due to movements in interest rates on its investments. This is because the Council mostly invests in fixed rate investments. The balance in the CCLA Fund Managers Limited Local Authorities' Property Fund is variable rate which gives rise to the following risks:

- An increase in interest rates may result in the fair value of borrowings and investments falling;
- A decrease in interest rates may result in the fair value of borrowings and investments increasing; and
- The value of interest received from investments will rise and fall depending on increases and decreases in interest rates and will impact on the Income and Expenditure Account. Existing investments carried at Fair Value are classified as held for sale so the impact would not be charged against the general fund balance.

Investments are not carried at fair value through profit and loss so gains and losses on financial instruments have no impact on the General Fund balance although will impact other Comprehensive Income and Expenditure. The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year, although in 2017-2018 there were no proposals to take out any new borrowing. As at 31 March 2018, any movement in interest rates on investments would not change the fair value as interest rates on investments are fixed.

d. **Price Risk**

The Council does not hold any investments in equity shares and therefore is not exposed to any losses arising from movements in the price of shares.

e. **Foreign Exchange Risk**

The Council does not hold any financial assets or liabilities held in foreign currency and therefore is not exposed to any losses arising from movements in exchange rates.

19. Long Term Debtors

Long term debtors comprise loans to Eden Housing Association, finance lease debtors, a loan to a Business Support Organisation and a loan to the Council's Leisure Contractor during 2017-2018.

Transactions during 2017-2018 for long term debtors were:

	Loans to Eden Housing Association £'000	Finance Leases £'000	Loan - Business Support £'000	Loan - Leisure Contractor £'000	Total £'000
Balance at 1 April 2017	0	521	250	40	811
Advances made in 2017-2018	628	0	0	0	628
Amounts repaid in 2017-2018	0	0	0	-8	-8
Balance at 31 March 2018	**628**	**521**	**250**	**32**	**1,431**

20. Short Term Debtors

Most sums due to the Council are raised in the accounts at the time that they are due. Significant items due for the year, but not raised at 31 March 2018, are accrued on an estimated basis. Amounts due from Government departments are often not settled conclusively for some time and are, therefore, brought into the accounts on the basis of the latest available information.

An analysis is shown below:

31 March 2017 £'000		31 March 2018 £'000
1,707	Government Departments	815
1,276	Other Local Authorities	1,100
1,493	Other Debtors	1,584
-350	Impairment Bad Debt	-329
4,126		**3,170**

21. Investments

At 31 March 2018, the Council held long term and short term investments, further details are:

Long Term Investment

The Council invested in the Local Authority Mutual Investment Trust (LAMIT) during 2013-2014 (Reference F4/14, Council, 20 February 2014). This is viewed as a long term investment for an anticipated period of five years. Dividends are credited to the Comprehensive Income and Expenditure Statement. Growth and decline in the value of the fund is shown in the Available for Sale Financial Instruments Reserve until the investment is redeemed. At that stage, the growth will be realised by the Council. If the investment is redeemed, then there is a fee of 7% of the value at the time of sale applicable. In 2016-2017 the Council invested £1m in Network Housing Group Limited for a period of three years. This is also a long term investment. The following table shows the movement in the investments.

31 March 2017 £'000	LAMIT Fund	31 March 2018 £'000
4,159	Fund Valuation as at 1 April	4,094
-65	Add/ (deduct) fund growth/(reduction) to 31 March	194
4,094	**Fund Valuation as at 31 March**	**4,288**
1,000	Network Housing Group Limited	1,000
5,094		**5,288**
53	Dividend Receivable (LAMIT) at 31 March	53

Temporary Lending – Short Term Investments

This item represents the short term investment of surpluses and funds in cash deposits. All lending is in accordance with the Council's agreed Treasury Management Policy Statement, which complies with the CIPFA Code of Practice on Treasury Management. The Council invests in a large number of institutions to reduce the risk of significant loss.

22. Cash and Cash Equivalents

The actual bank balance at 31 March 2018 was £62,856 (£26,577 at 31 March 2017). This is adjusted for items that have gone through the Council's accounts prior to 31 March 2018, but not through the bank account, to give the figure shown in the Balance Sheet. The bank account is monitored daily to ensure that as the items clear other cash and cash equivalents are used to prevent the bank account becoming overdrawn. On this basis, the bank balance is not presented as overdrawn.

The figure in the Balance Sheet is made up of the following elements:

31 March 2017 £'000		31 March 2018 £'000
1	Cash held by the Council	1
-352	Bank Current Accounts	-168
3,042	Short Term Deposits with Third Parties	4,794
2,691	**Total Cash and Cash Equivalents**	**4,627**

23. Assets Held for Sale

2016-17 £'000		2017-18 £'000
320	Balance at 1 April	515
	Assets newly classified as held for sale:	
195	Property, Plant and Equipment	351
0	Assets Sold	-325
515	**Balance at 31 March**	**541**

24. Short Term Creditors

All payments made for goods and services received on or before 31 March 2018 are included in the expenditure for the year. Payments made during the two weeks following the end of the financial year are reviewed, as they may relate to goods and services received before 31 March 2018. Significant creditors unpaid at the expiration of the two weeks are included in the accounts on an estimated basis. An analysis is shown below:

31 March 2017 £'000		31 March 2018 £'000
532	Government Departments	629
499	Other Local Authorities	855
1,772	Other Creditors (primarily suppliers)	1,619
2,803		**3,103**

25. Provisions

	Contract Provision £'000	Insurance Provision £'000	NNDR Appeals Provision £'000	Total £'000
Balance at 1 April 2017	88	19	124	231
Provisions made in 2017-2018	0	0	313	313
Amounts used in 2017-2018	-88	0	-47	-135
Balance at 31 March 2018	**0**	**19**	**390**	**409**

The Council has one provision relating to contract, one relating to Municipal Mutual Insurance Limited outstanding and a provision for outstanding NNDR appeals as at 31 March 2018:

- The provision to correct defects at the Council's Leisure Centres following the letting of its leisure management contract from 1 April 2012 was fully utilised in year to pay towards replacement of boilers at Penrith Leisure Centre;
- A provision of £19,000 for claims liability from Municipal Mutual Insurance Limited, there is a current claim for £10,000 and potential for further claims in the future; and
- A provision of £390,000 for its portion of outstanding NNDR valuation appeals; required under accounting rules in relation to the Business Rates Retention Scheme. This is reviewed on an annual basis and it is expected that most of this will be utilised over the next 12 months.

26. Borrowing

No new borrowing was undertaken in 2017-2018. In May 2009, borrowing was undertaken. £550,000 was borrowed from the Public Works Loans Board, repayable over ten years. At 31 March 2018, £82,500 was outstanding on this loan, £55,000 of which was due within one year. The maturity profile for this loan is:

31 March 2017 £'000		31 March 2018 £'000
	Maturing within:	
55	One year, but less than two years	55
83	Over two years, but less than five years	28
138		**83**

27. Trust Funds

The Council acts as trustee for twelve trust funds arising from bequests to the Council for specific purposes, none of which represent assets of the Council. These are not included in the Balance Sheet. The total value of these funds at 31 March 2018 was £37,000 (2016-2017: £37,000). The Council is the sole trustee of these trust funds.

28. Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement. Usable Reserves comprise:

31 March 2017 £'000		31 March 2018 £'000
8,578	General Fund Balance	8,338
5,817	Earmarked Reserves	5,666
1,324	Capital Receipts Reserve	1,357
249	Capital Grants Unapplied	407
15,968	**Total Usable Reserves**	**15,768**

29. Usable Capital Reserves

Capital Receipts Reserve

2016-17 £'000		2017-18 £'000
1,274	Balance at 1 April	1,324
399	Receipts from disposal of Non-Current Assets	514
-349	Receipts used to fund Capital Spending	-489
0	Deferred Capital Receipts arising	8
1,324	**Balance at 31 March**	**1,357**

Capital Grants Unapplied

2016-17 £'000		2017-18 £'000
137	Balance at 1 April	249
372	Capital Grant Receipts	394
-260	Grants used to fund Capital Spending	-236
249	**Balance at 31 March**	**407**

30. Unusable Reserves

31 March 17 £'000		31 March 18 £'000
6,148	Revaluation Reserve	7,840
32,274	Capital Adjustment Account	34,241
7	Financial Instruments Adjustment Account	7
307	Available for Sale Financial Instruments Reserve	510
-11,579	Pensions Reserve	-9,636
521	Deferred Capital Receipts	521
-1,153	Collection Fund Adjustment Account	-404
-34	Accumulated Absences Account	-70
26,491	**Total Unusable Reserves**	**33,009**

Revaluation Reserve

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

- Revalued downwards, or impaired, and gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or;
- Disposed of and gains realised.

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

2016-17 £'000		2017-18 £'000
6,130	**Balance at 1 April**	6,148
45	Upward revaluation of assets	2,138
0	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	-46
-27	Difference between Fair Value Depreciation and Historical Cost Depreciation	-71
0	Accumulated Gains on Assets Sold or Scrapped	-329
6,148	**Balance at 31 March**	**7,840**

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 Capital Adjustment Account is debited with the cost of acquisition, construction, or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

The Capital Adjustment Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The Capital Adjustment Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, on which the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

2016-17 £'000		2017-18 £'000
32,481	**Balance at 1 April**	**32,274**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-440	Depreciation and Impairment of Non-Current Assets	-445
-40	Amortisation of Intangible Assets	-41
-364	Revenue Expenditure Funded from Capital Under Statute	-289
-110	Amounts on Non-Current Assets written off on Disposal as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-325
27	Adjusting amounts Written Out of Revaluation Reserve	400
	Capital Financing Applied in the Year	
349	Use of the Capital Receipts Reserve to finance Capital Expenditure	489
260	Capital Grants Credited to the Comprehensive Income and Expenditure Statement applied to Capital Financing	236
10	Statutory Provision for the Financing of Capital Investment charged to the General Fund	12
109	Capital Expenditure charged against the General Fund Balance	1,676
0	Movement in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	262
-8	Other	-9
32,274	**Balance at 31 March**	**34,241**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provision.

2016-17 £'000		2017-18 £'000
7	**Balance at 1 April**	7
	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Account	
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements	0
7	**Balance at 31 March**	**7**

Available-for-Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices, or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains lost; and
- Disposed of and the gains are realised.

2016-17 £'000		2017-18 £'000
376	**Balance at 1 April**	**307**
-69	Upward/ (-)Downward revaluation of investments	203
307	**Balance at 31 March**	**510**

Changes in fair value of available for sale financial assets are brought through other comprehensive income and expenditure in the CIES. These amounts may be reclassified on de-recognition when any accumulated balance in this reserve would be reversed through the surplus/deficit on the provision of service as a realised gain/loss.

Pensions Reserve

The Pensions Reserve includes the timing differences arising from the different arrangements for accounting for post-employment benefits and the 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 pensions 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.

2016-17 Restated £'000		2017-18 £'000
-7,841	**Balance at 1 April**	**-11,579**
-3,214	Remeasurements of the Net Defined Benefit Liability	2,867
-1,243	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	-1,670
719	Employer's pensions contributions and direct payments to pensioners payable in the year	746
-11,579	**Balance at 31 March**	**-9,636**

Note – the change in remeasurement of the Net Defined Benefit Liability is explained in note 45.

Deferred Capital Receipts

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 by cash receipts.

When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2016-17 £'000		2017-18 £'000
521	**Balance at 1 April**	**521**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
521	**Balance at 31 March**	**521**

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 Tax payers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2016-17 £'000		2017-18 £'000
-1,311	**Balance at 1 April**	**-1,153**
158	Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	749
-1,153	**Balance at 31 March**	**-404**

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, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to, or from, the Accumulated Absences Account.

2016-17 £'000		2017-18 £'000
-26	**Balance at 1 April**	-34
26	Settlement or cancellation of accrual made at the end of the preceding year	34
-34	Amounts accrued at the end of the current year	-70
-8	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-36
-34	**Balance at 31 March**	**-70**

31. Reconciliation of Income and Expenditure Deficit to Revenue Activities Net Cash Flow

The Cash Flow Statement for 2017-2018 summarises the inflows and outflows of cash to and from the Council arising from transactions with third parties for both revenue and capital. This note provides an analysis of the Net Cash Flow from Operating Activities shown in the Statement.

2016-17 £'000		2017-18 £'000
2,033	Surplus/ (-)Deficit on the Provision of Services	**1,155**
	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	
480	Depreciation, Amortisation and Impairment Charges	485
523	Pension Costs	924
110	Carrying amount of non-current assets for sale sold	325
-770	Transfers to/from (-) Provisions	178
-679	Decrease (-)/Increase in Inventories and Debtors	68
-236	Decrease/Increase (-) in Creditors	-158
0	Movement in Fair Value of Investment Property	-262
-572		**1,560**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-373	Capital Grants Receivable	-394
-391	Proceeds from sale of property plant and equipment, investment property and intangible assets	-514
697	**Net Cash Flow from Operating Activities**	**1,807**

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016-17 £'000		2017-18 £'000
378	Interest and Dividends Received	340
-4	Interest Paid	-3

33. Cash Flow Statement – Investing Activities

2016-17 £'000		2017-18 £'000
-348	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-1,002
-12,000	Purchase of Short and Long Term Investments	-16,325
0	Long term loans granted	-628
391	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	514
11,000	Proceeds from Short and Long-Term Investments	16,325
417	Other Receipts from Investing Activities	327
540	**Net Cash Flows from Investing Activities**	**-789**

34. Cash Flow Statement – Financing Activities

2016-17 £'000		2017-18 £'000
0	Other Receipts from Financing Activities	973
-55	Repayment of Short and Long-Term Borrowing	-55
-1,126	Other Payments for Financing Activities	0
-1,181	**Net Cash Flows from Financing Activities**	**918**

35. Expenditure and Income Analysed by Nature

2016-17 Restated £000		2017-18 £000
	Income	
-4,613	Fees, Charges and Other Service Income	-4,524
-281	Surplus on disposal of fixed assets	-189
-1,302	Interest and Investment Income	-1,563
-4,501	Income from Council Tax	-4,747
-22,024	Government Grants and Contributions	-20,367
-32,721	**Total Income**	**-31,390**
	Expenditure	
5,295	Employee Expenses	5,907
17,390	Other Service Expenses	16,205
480	Depreciation, Amortisation and Impairment	485
295	Interest Payable	306
7,228	Tariff, Precepts and Levies	7,332
30,688	**Total Operating Costs**	**30,235**
-2,033	**Surplus/ Deficit on Service Provision**	**-1,155**

The 2016-2017 comparators have been restated to reconcile back to gross income and expenditure per the CIES and supporting notes. In addition, there were the following transactions relating to external receipts and recharges between segments:

2016-2017 £000			2017-2018 £000	
Charges between Segments	**Customer Receipts**		**Charges between Segments**	**Customer Receipts**
61	-14	Commercial Services Portfolio	53	-13
344	-27	Communities Portfolio	343	-21
266	-525	Eden Development Portfolio	283	-691
97	-81	Housing and Health Portfolio	89	-434
-574	0	Leader Portfolio	-655	-22
-191	-2,019	Resources Portfolio	-116	-1,953
-3	-764	Services Portfolio	3	-754
0	**-3,430**		**0**	**-3,888**

36. Agency Income and Expenditure

The Council acts as an agent as Billing Authority, collecting and distributing Council Tax income on behalf of major preceptors and itself. Only the Council's share of the income and expenditure is shown in the Comprehensive Income and Expenditure Statement. The Council also acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of Eden District (40%) Central Government (50%) and the County (10%). Only the 40% share of NNDR due to the Council is shown in the Comprehensive Income and Expenditure Statement. The Council is required to keep a separate fund for the collection and distribution of amounts due in respect of Council Tax and NNDR. The Collection Fund is included as a supplementary statement. In addition, during 2017-2018 there was a County Council and UK parliamentary election; these are actioned by the (Acting) Returning Officer and paid for through external grant. Income and expenditure relating to these have been treated as an agency arrangement and been de-recognised (consistent with Service Accounting Code of Practice, expenditure of £311,000).

37. Members' Allowances

The total cost of payments to Members during the year was £206,000 (2016-2017: £198,000). This was made up as follows.

2016-17 Restated £000		2017-18 £000
180	Allowances	191
11	Car Mileage	8
7	IT Expense Allowance	7
198	Total	206

The prior year figure has been restated to remove the impact of a provision for backdated income tax which was distorting the year on year comparison of actual payments made. In addition, contributions towards the costs of internet usage have been included.

38. Officers' Remuneration

a. Senior Employees

The Accounts and Audit Regulations 2015 requires that local authorities disclose the individual remuneration details of senior employees by job title for a number of categories if their annual salary is above £50,000. For the purpose of disclosure, senior employees are defined by the Council as Director level and above.

Post Title	Year	Salary+ £	Expenses and Allowances* £	Total Remuneration Excluding Pension Contributions £	Pension Contributions** £	Total Remuneration Including Pension £
Deputy Chief Executive***	2017-2018	75,051	315	75,366	11,869	87,235
Director of Finance****	2017-2018	62,310	455	62,765	10,219	72,984
Deputy Director Technical Services*****	2017-2018	51,161	0	51,161	8,390	59,552
Deputy Director Environmental Services*****	2017-2018	51,775	0	51,775	8,491	60,266
Assistant Director Organisational Development*****	2017-2018	43,832	134	43,965	7,188	51,154

Post Title	Year	Salary £	Expenses and Allowances* £	Total Remuneration Excluding Pension Contributions £	Pension Contributions** £	Total Remuneration Including Pension £
Deputy Chief Executive***	2016-2017	50,163	122	50,285	7,224	57,509
Director of Finance****	5 Jul 16 to 31 Mar 17	56,700	250	56,950	8,165	65,115
	1 Apr to 4 Jul 16	17,358	196	17,554	2,495	20,049
Communities Director *****	2016-17	26,007	283	26,290	3,745	30,035

+ Including honoraria where applicable. This includes £7,428 paid to the Deputy Chief Executive for Election/Returning Officer duties (2016-2017 £0).

* This is mainly car allowances.

** All Local Government employees are entitled to join the Local Government Pension Scheme. The Council's pension contributions are calculated by applying the employer contribution, as determined by the Scheme actuary, to each individual's salary.

*** The new Deputy Chief Executive was appointed on the 27 June 2016. The post was vacant from 1 April 2016 to 26 June 2016.

**** The previous Director of Finance left on the 4 July 2016. The Council's Financial Services Manager was appointed to the role on the 5 July 2016.

***** The Communities Director left on the 15 August 2016 and has not been replaced. Following this other senior management posts were re-structured.

b. **Officers Earning more than £50,000**

The Council is required to show the numbers of employees whose remuneration exceeded £50,000 during the year, in addition to those shown in item a above. Remuneration includes all amounts paid to, or receivable by an employee, including sums due by way of expenses allowance and the estimated money value of any other benefits received otherwise than in cash. It excludes pension contributions by the employer. There were no other officers whose remuneration exceeded £50k, other than those already disclosed above and so no additional banding note has been produced.

c. **Chief Executive**

The post of Chief Executive is filled under a contract for services with Enterprise Prospects Limited. Payments to this company totalled £94,573 for 2017-2018 (£83,059: 2016-2017). As the Chief Executive was not an employee of the Council, payments in relation to this post are not included in either of items a or item b above.

d. **Redundancy Payments**

There were no redundancies in 2016-2017 or 2017-2018.

39. External Audit Fees

In 2017-2018 the Council paid the following amounts to the appointed auditor (Grant Thornton UK LLP):

2016-17 £'000		2017-18 £'000
42	Fees payable in respect of audit services for current year	42
0	Additional Fees payable in respect of prior year	11
8	Fees payable for the certification of grant claims and returns	9
0	Rebate from Public Sector Audit Appointments	-6
50		**56**

40. Grants and Contributions – Credited to Services

The grants and contributions in the table below were recognised as income credited to services in the Comprehensive Income and Expenditure Statement.

2016-17 Restated £'000		2017-18 £'000
	Credited to Services	
373	Better Care Fund: Disabled Facilities Grants	394
0	Better Care Fund: other	81
47	Council Tax Benefit Administration Subsidy	44
30	Implementation of Local Council Tax Reduction	0
205	Council Tax Reduction - Flooding	16
114	Housing Benefit Administration Subsidy	105
8,952	Housing Benefit Subsidy	8,151
939	Community Housing Fund	0
44	Housing Benefit Atlas Grant	31
153	Discretionary Housing Payments	125
12	Universal Credit	12
0	Business rates S31 grant	38
0	Business rates new burdens	12
0	Homelessness Grant	55
0	Domestic abuse support	35
30	Elections	0
34	Electoral Registration	31
3	Land Charges	0
0	Heritage Grants	150
0	Penrith Vision planning grant	100
11	Neighbourhood Planning Grant	20
0	Self and custom build planning grant	51
0	Museum 'ready to borrow' grant	20
27	Food and Farming Enterprise	13
2	Heat Network Funding	50
20	Other Grants and contributions	56
10,996	**Total Grants**	**9,590**

All grants received during the year were recognised as income as the Council had reasonable assurance that it would meet the conditions attached so reclaim is unlikely. There were no donated assets during the reporting period. The 2016-2017 figures have been amended to include amounts received from the Community Housing Fund. Within the Heritage Grants amount of £150,000 is a specific contribution from Historic England of £22,195 for the Appleby HAZ. £420 remained unspent of the 2017-2018 allocation.

41. Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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 Council.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2017-2018, no works and services (2016-2017: £0) were commissioned from organisations in which Members had an interest. All contracts are entered into in full compliance with the Council's Procurement Rules. All interests are recorded in the Register of Members' Interests which can be viewed on the Council's web site.

Three Members were on the board of Heart of Cumbria Limited. These were Councillors Gordon Nicolson, John Owen and Paula Breen. There were also two non-Council board members. The company's articles of association specify that that the board may consist of 7 Directors provided that at all times the majority of members is made up of people who are either Councillors or Council Officers.

Officers

From 1 January 2012 onwards, Enterprise Prospects Limited provided the services of Dr Robin Hooper to fill the post of Chief Executive. This arrangement was agreed by the Council on 29 September 2011. The Council's Deputy Chief Executive oversaw the agreement. Dr Hooper is a Director of Enterprise Prospects Limited. See note 38 c for further details.

During the year other transactions with related parties arose as follows:

2016-17 Restated Income £000	Exp £000	DR/CR (+/-) £000	Summary of transactions with related parties	2017-18 Income £000	Exp £000	DR/CR (+/-) £000
			Central Government			
0	111	-111	NNDR Transition Grant/Payments	0	296	-25
573	0	105	NNDR Section 31 Grants	933	0	163
0	6,468	0	NNDR Tariff	0	6,415	-38
708	0	0	Revenue Support Grant	324	0	0
205	0	-80	Council Tax Discounts Grant - Flooding	16	0	-61
8,952	0	-12	Housing Benefit Subsidy	8,151	0	-110
46	0	0	Council Tax Reduction Administration Subsidy	44	0	0
114	0	0	Housing Benefit Administration Subsidy	105	0	0
373	0	0	Capital Grants	394	0	0
0	9,708	1,562	NNDR Precept	0	8,922	197
			Precepting Authorities			
0	24,791	362	Cumbria County Council Council Tax	0	26,204	651
0	1,942	312	Cumbria County Council NNDR	0	1,784	39
0	4,361	7	Cumbria Police & Crime Commissioner Council Tax	0	4,518	112
			Other:			
0	719	-64	Employer Superannuation	0	746	-77
655	0	85	Recycling Credits	0	0	0
210	0	0	Second Homes Council Tax grant	-217	0	0
0	10	0	Heart of Cumbria	-22	33	22
11,836	48,110	2,166		9,728	48,918	873

2016-2017 comparators have been restated to reflect corrections to s31 grant income and Cumbria County Council Precept balances.

42. Capital Expenditure and Capital Financing

2016-17 £'000		2017-18 £'000
400	Opening Capital Financing Requirement	**390**
	Capital Investment in Year:	
309	Property, Plant and Equipment	1,015
0	Investment Properties	222
44	Intangible Assets	223
0	Long Term Debtors (capital loans)	652
364	Revenue Spending funded from Capital Under Statute	289
1,117		**2,401**
	Financed by:	
44	Repairs and Renewals Fund	417
65	Revenue Contribution	1,259
349	Capital Receipts	489
259	Capital Grants	236
10	Minimum Revenue Provision	12
390	Closing Capital Financing Requirement	**378**
	Explanation of Movements in Year	
-10	Increase/Decrease (+/-) in underlying need to borrow (unsupported by Government financial assistance)	-12
-10	Increase/Decrease (+/-) in Capital Financing Requirement	**-12**

43. Revenue Provision for Payment of External Debt

The Council is required under the Local Authorities (Capital Finance and Accounting) Regulations 2003 to set aside a minimum revenue provision for the redemption of external debt based on a prescribed formula. Amounts chargeable to the Comprehensive Income and Expenditure Statement in 2017-2018 were £12,000 (2016-2017: £10,000). Under CIPFA's guidance, any provision made is not charged to individual service revenue accounts.

44. Leases

Authority as Lessor

Finance Leases

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 122 years remaining at 31 March 2018. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

31 March 17 £'000 Restated		31 March 18 £'000
	Finance lease debtor (net present value of minimum lease payments):	
0	Current	0
521	Non-Current (Long Term Debtor)	521
2,062	Unearned finance income	2,041
315	Unguaranteed residual value of property	315
2,898	Gross investment in the lease	**2,877**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 Mar 17 £'000 Restated	31 Mar 18 £'000	31 Mar 17 £'000 Restated	31 Mar 18 £'000
Not later than one year	21	21	21	21
Later than one year and not later than 5 years	84	84	84	84
Later than five years	2,793	2,772	1,957	1,936
	2,898	**2,877**	**2,062**	**2,041**

As there is a possibility that worsening financial circumstances might result in lease payments not being made, the Authority has set aside a general allowance for non-collection of sundry debtors of £20,000 (£20,000 at 31 March 2017). The minimum future 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. In 2017-2018 no contingent rents were receivable by the Authority (2016-2017: £0).

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres;
- Investment purposes; that is, to raise rental income; and
- For economic development purposes to promote the economic vitality of the district.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 17 £'000		31 March 18 £'000
997	Not later than one year	1,008
3,806	Later than one year and not later than five years	3,792
117,478	Later than five years	117,595
122,281		**122,395**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017-2018, no contingent rents were receivable by the Council (2016-2017: £0). The lease payments at 31 March 2018 include £118.6m relating to the lease of the Penrith New Squares Scheme.

45. Retirement Benefits

a. The Council's Share of the Pension Fund

The Council offers membership of the Local Government Pension Scheme to its officers as part of their employment terms and conditions. Although the retirement benefits from the scheme do not become payable until employees retire, the Council makes payments that match the future entitlement earned by employees. The Council participates in the Cumbria Local Government Pension Scheme administered by Cumbria County Council. This is a funded defined benefit scheme. The Council and its employees pay contributions into a fund, calculated at a level intended to balance previous liabilities with investment assets.

Under IAS19, the Council is required to recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash paid in the year, so the real cost of retirement benefits is removed in the Statement of Movement of General Fund Balance.

The following transactions have been made to the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during 2017-2018:

2016-17 £'000		2017-18 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
909	Current Service Cost	1,367
50	Past Service Cost	0
	Financing and Investment Income and Expenditure:	
284	Net Interest Cost	303
1,243	Net Charge to the Provision of Services	**1,670**
	Other Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
-492	Experience Gain/Loss on liabilities	0
-6,719	Remeasurement of Assets	-679
10,894	Loss /(-)Gain on Financial Assumptions	-2,188
-469	Loss /(-)Gain on Demographic Assumptions	0
3,214	Total Benefits Charged to the Comprehensive Income and Expenditure Statement	**-2,867**
	Movement in Reserves Statement	
-1,243	Reverse charges made for retirement benefits re IAS 19	-1,670
	Amounts charged against General Fund for Pensions	
719	Employer's Contributions payable	**746**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016-17 £'000		2017-18 £'000
-60,316	Present Value of Defined Benefit Obligation	-59,876
48,737	Fair Value of Plan Assets	50,240
-11,579	Net Liability	**-9,636**

Assets and Liabilities in Relation to Retirement Benefits

Overall, 2017-2018 has been relatively stable, a review of the underlying assumptions (see below) shows that the discount rate has increased by 0.1% with the rate of general inflation, wage growth and pension growth all slightly reduced. The impact on the present value of the scheme liabilities and assets is presented below:

Scheme Liabilities:

2016-17 £'000		2017-18 £'000
-49,170	1 April	-60,316
-909	Current Service Cost	-1,367
-1,696	Interest on Scheme Liabilities	-1,494
-235	Employee Contributions	-249
-50	Past service cost	0
	Remeasurements:	
492	Gain/Loss (-) on Experience	0
-10,894	Gain/Loss (-) on Financial Assumptions	2,188
469	Gain/Loss (-) on Demographic Assumptions	0
1,677	Benefits Paid	1,362
-60,316	31 March	**-59,876**

Scheme Assets:

2016-17 £'000		2017-18 £'000
41,329	1 April	**48,737**
1,434	Interest Income	1,214
6,719	Remeasurements	679
-22	Administration Expenses	-23
719	Employer Contributions	746
235	Employee Contributions	249
-1,677	Benefits Paid	-1,362
48,737	31 March	**50,240**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

Scheme Assets Comprised:

2016-17 £'000		2017-18 £'000
	Equities	
6,286	UK quoted	6,381
9,796	Global quoted	10,751
487	UK equity pooled	553
8,188	Overseas equity pooled	7,285
	Bonds	
3,070	UK corporate bonds	2,964
146	Overseas corporate bonds	151
9,504	UK Government index pooled	8,792
	Property	
3,411	UK	3,215
1,511	Property funds	1,457
	Alternatives	
0	Healthcare Royalties	201
1,219	Private equity funds	1,206
2,876	Infrastructure funds	3,215
439	Real Estate Debt Fund	301
244	Private Debt Fund	1,105
	Cash	
1,511	Cash accounts	2,663
49	Net current assets	0
48,737	**Total**	**50,240**

b. Basis for Estimating Assets and Liabilities

Liabilities have been assessed by the scheme actuary (Mercer Human Resource Consulting Limited), an independent firm of actuaries on an actuarial basis. The actuary has made an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels and other factors. The liabilities were assessed in the last full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary have been:

31 March 17 %	Long Term Expected Rate of Return on Scheme Assets	31 March 18 %
2.3	Rate of CPI inflation	2.1
3.8	Rate of increase in salaries	3.6
2.3	Rate of increase in pensions	2.2
2.5	Discount rate	2.6
50	Proportion of employees opting to take a commuted lump sum	
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
23.1	Male	23.2
25.7	Female	25.8
	Longevity at 65 for future pensioners:	
25.4	Male	25.5
28.4	Female	28.5

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase/decrease (+/-) in Net liability £'000
1 year increase in life expectancy	1,172
0.1% increase in inflation	998
0.1% increase in salaries	142
0.1% increase in discount rate	-982

c. Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Cumbria County Council has agreed a strategy with the actuary to achieve a funding level of 100%. The current deficit is to be recovered over 16 years. Funding levels are monitored annually. A full actuarial valuation was undertaken in 2016 with new contribution rates being payable from 1 April 2017.

The Council expects to pay £761,000 in employer contributions to the scheme in 2018-2019 (2% higher than 2017-2018, in line with anticipated pay awards). The weighted average duration of the defined benefit obligation for scheme members is seventeen years.

46. Contingent Liabilities

Following the transfer of the Council's housing stock in October 1997 to Eden Housing Association, a number of warranties and covenants were given to both the Housing Association and their funders. These cover a range of potential liabilities which would require the Council to indemnify either the Housing Association, or the funders, in the event of a number of eventualities in title arising. The likelihood of any liabilities crystallising decreases as the time from transfer increases. Neither the Housing Association, nor their funders, have indicated in any way that they intend making a claim under any of these warranties and indemnities. This situation is unchanged from 1997.

The Council received a grant award from Sport England in connection with the Southend Road Sports Project, which has certain conditions included. The funding could be clawed back if the conditions of the award do not continue to be met, which is highly unlikely. The original award was £850,000.

Under the provisions of the Localism Act community groups can apply to the relevant local authority for specific assets within that local authority's area to be designated as 'Assets of Community Value'. Such a designation puts in a place a moratorium on the sale of the asset. Where such designations are agreed regulations under the Act enable the owner to claim costs incurred because of the moratorium. Compensation on any asset up to £20,000 is payable by the local authority. The Government has indicated that if compensation on any asset exceeds £20,000 then the amount over £20,000 is paid by them. Following applications there are 14 parcels of land which have been accepted as Assets of Community Value. The 14 parcels are:

1. Land at Pategill, Back Field
2. Land at Brent Road, Scaws
3. George and Dragon Inn, Garrigill
4. The Crown Inn, Morland
5. The Three Greyhounds Inn, Great Asby
6. Blencathra
7. Watermillock Village Hall
8. Centre 67, Appleby in Westmorland
9. Eden Vale Inn, Bolton
10. Horse and Farrier, Dacre
11, Dukes Head, Armathwaite
12. The Stagg Inn, Dufton
13. Edenside, Appleby in Westmorland
14. Clickham Inn, Blencowe

As yet, there have been no requests for payment of compensation. It is not known if requests will be made, or the likely level of any compensation claims. If all the designations were to lead to a claim in excess of £20,000, the total compensation payment would be £280,000. This is considered to be very remote.

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enables local authorities to retain a proportion of the Business Rates generated in their area. The new arrangements came into effect on 1 April 2013. The Council, acting as agent on behalf of the major preceptors, Central Government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list (see note 25). Following the introduction of the 'Check, Challenge, Appeal' system, the amount of data available to estimate the provision has greatly reduced so this includes an estimate of appeals expected to be made but not yet lodged, based on 2% overall of rating list.

The Council views the claim by NHS foundation trusts for charitable relief as inconsistent with the rating regulations so has made no provision for this. No claim has been submitted within the District but should a claim be submitted and be successful, the potential liability is estimated to be £800,000.

Collection Fund for the Year Ending 31 March 2018

The Collection Fund is an agent's statement reflecting the statutory requirement for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to National Non-Domestic Rates (NNDR), also known as Business Rates, and the Council Tax, and illustrates the way in which these have been distributed to preceptors, the Government and the General Fund.

2016-17 Restated Business Rates £'000	2016-17 Restated Council Tax £'000	2016-17 Restated Total £'000		2017-18 Business Rates £'000	2017-18 Council Tax £'000	2017-18 Total £'000
			Income			
0	33,494	33,494	Income from Council Tax	0	34,996	34,996
18,378	0	18,378	Income Collectable from Business Ratepayers	20,518	0	20,518
-111	0	-111	Business Rates Transitional Protection Payment	296	0	296
18,267	**33,494**	**51,761**	**Total Income**	**20,814**	**34,996**	**55,810**
			Expenditure			
			Precepts and Demands			
0	4,480	4,480	Eden District Council	0	4,754	4,754
0	24,497	24,497	Cumbria County Council	0	25,774	25,774
0	4,308	4,308	Cumbria Police and Crime Commissioner	0	4,442	4,442
			Business Rates			
10,735	0	10,735	Central Government	10,436	0	10,436
8,589	0	8,589	Eden District Council	8,349	0	8,349
2,147	0	2,147	Cumbria County Council	2,087	0	2,087
			Charges to Collection Fund			
109	33	142	Write-Offs of Uncollectable Amounts	200	74	274
20	2	22	Increase/ (-)Decrease in Bad Debt Provision	-107	2	-105
-1,879	0	-1,879	Increase/ (-)Decrease in Provision for Appeals	664	0	664
128	0	128	Cost of Collection Allowance	126	0	126
19,849	**33,320**	**53,169**	**Total Expenditure**	**21,755**	**35,046**	**56,801**
-1,582	**174**	**-1,408**	**Surplus/Deficit (+/-) During the Year**	**-941**	**-50**	**-991**
			Share of PY surplus/deficit (-/+)			
1,027	**0**	**1,027**	Central Government	**1,514**	**0**	**1,514**
0	**-53**	**-53**	Cumbria Police and Crime Commissioner	**0**	**-76**	**-76**
822	**-52**	**770**	Eden District Council	**1,211**	**-78**	**1,133**
205	**-294**	**-89**	Cumbria County Council	**303**	**-430**	**-127**
472	**-225**	**247**	**Surplus/deficit (+/-) inc py adjustment**	**2,087**	**-634**	**1,453**
-3,402	**376**	**-3,026**	**Surplus/Deficit (+/-) Brought Forward**	**-2,930**	**151**	**-2,779**
-2,930	**151**	**-2,779**	**Surplus/Deficit (+/-) Carried Forward**	**-843**	**-483**	**-1,326**

The collection fund comparators have been restated to show how the payments to preceptors were split between the main precept and the share of surpluses/deficits relating to prior years. This is a presentational change, the bottom line total surplus/deficit has not changed.

Notes to the Collection Fund

1. Council Tax Income

Council Tax is collected by the Council acting as agent for Cumbria County Council, Cumbria Police and Crime Commissioner and Parish and Town Councils. The Council then pays these organisations their share of the bill by precepting arrangements. Surplus/deficit balances are carried forward in the Collection Fund at the year-end.

2. Council Tax Base

To calculate the Council Tax payable per property requires the tax base (the number of properties against which the tax can be collected) to be calculated. Every property has been valued by the Valuation Office and placed into one of eight valuation bands (Bands A, B, C, D, E, F, G and H). Each band is then multiplied by a factor to bring it to a Band D equivalent. The total of the Band D equivalent after allowing for discounts is then multiplied by the estimated collection rate to give the Council Tax Base. The Base for Eden for the year was £20,119.85.

The expenditure requirement of the Collection Fund (net of parish precepts and Special Expenses) of £33,942,756 is divided by the Tax Base to give the Band D tax of £1,687.03. Each valuation band is then calculated as a proportion of Band D as follows:

Band	A	B	C	D	E	F	G	H
Proportion	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
	£	£	£	£	£	£	£	£
Tax (£)	1,124.68	1,312.14	1,499.58	1,687.03	2,061.92	2,436.82	2,811.71	3,374.06

Parish precepts and Special Expenses are then charged to the particular parish or area to which they relate. The Council Tax bill covers the cost of Cumbria County Council, Cumbria Police and Crime Commissioner, Eden District Council and Parish/Town Council services.

3. Business Rate Income

National Non-Domestic Rates (NNDR), also known as Business Rates, are collected by Charging Authorities. Non-Domestic Rates are then redistributed by the Government on the basis of criteria established nationally. The total non-domestic rateable value for Eden District was £57.6m at 31 March 2018, compared with £52.6m at 31 March 2017. This increase was due to revaluation exercise which amended Rateable Values nationally from 1 April 2017. The NNDR multiplier for the year was 47.9p in the pound (49.7p in 2016-2017). The multiplier is set nationally by the Government.

4. Impact of the Business Rates Retention Scheme

Under the BRRS, NNDR is apportioned among the Council, Cumbria County Council and Government. Surplus/deficit balances are carried forward in the Collection Fund similar to that for Council Tax at 31 March 2018. From 1 April 2014, the Council was a member of the Cumbria Business Rates Pool. The main advantage of this is that the Council can retain more of the proceeds from growth in Business Rates than if it were not in the pool.

The Business Rates element of the Collection Fund was in deficit of £0.843m at 31 March 2018. Under the scheme, higher than anticipated BRRS income was shown in 2017-2018.The timing differences in the scheme will result in lower income to the Council in 2018-2019. The revised budget was amended to reflect these changes.

5. Business Improvement District

From 1 April 2013, a Business Improvement District (BID) scheme applies in Penrith. The scheme is funded by a BID levy paid by non-domestic ratepayers in the area. The Council collects this income on behalf of the BID acting as agent and pays all income collected to the BID. In a change to presentation, this is no longer included in the collection fund as on review of the Code, it does not meet the criteria of a Business Rates supplement but is a simple agency transaction. This has removed £96,000 of income and expenditure from the 2016-2017 NNDR totals.

Independent auditor's report to the members of Eden District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eden District Council (the 'Authority') for the year ended 31 March 2018, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Financial Statements and the Collection Fund including a statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 82, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Accounts and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

Gareth Kelly

Gareth Kelly
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
110 Queen Street
Glasgow
G1 1DR

27 July 2018