

# **Eden District Council**

## **Audited Statement of Accounts 2018/19**



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## **Accessible Information**

### ENGLISH:

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

### POLISH:

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

### TRADITIONAL CHINESE:

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### URDU:

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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 the Council and communities across Eden face, it is essential to have a clear sense of direction. The priorities set out in the current 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 Plan is in the process of being updated for the next municipal cycle. Public consultation ended in March 2019 and the plan is due to be finalised during Summer 2019, following the all-out district elections in May 2019 which resulted in a change in political leadership.

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. These services create value for the community and their successful delivery is central to the Council's corporate priorities. This statement sets out how the Council's resources (inputs) have been used in creating this value through delivery of services in line with statute and the corporate priorities (outputs).

### **Operating model and structure**

The Council's main incoming resources are those from Council tax, central government grant retained business rates (£9.248m of corporate revenues in total, see note 13). The Council also generates income from investment property and treasury management activity (£1.657m including increases in fair value, see note 12) and service specific income including grants (£9.743m, see note 40) and fees from service users (£3.342m, see note 35).

The main directly controllable resource is staffing and the majority of out-puts are services delivered by those staff (or external contractors) rather than creation of assets. The main principal of the Council's operating model is that staff are organised into teams of operational activity. These teams contain staff who perform managerial, technical and customer facing roles to provide services in the form set out by statute and Council policy, informed by the needs and expectations of service users.

The Council is also the sole shareholder of the Heart of Cumbria Limited. During 2018/19, the Council invested £1m in share equity in the company to support its medium term commitment to purchase 81 affordable houses to rent in Penrith. The company gives additional flexibility to deliver a broader range of services. As at the year-end, the company had acquired 7 affordable rental units which were fully occupied. As such, group accounts have been prepared for 2018/19. At a political level, the Council has been 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.

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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 2020/21. In addition, on 23 June 2016, Britain decided to leave the European Union. At the time of writing, the expectation is that the UK will leave the EU in October 2019 however there remains significant uncertainty around the process and whether a deal will be agreed with the EU. One potential impact of the Brexit process is a possible deferral of the comprehensive spending review, the fair funding review, the review of the business rates retention system and the business rates baseline reset. These were all due to be implemented from 2020/21, some commentators have suggested that due to redirection of civil servants onto Brexit preparations, the implementation of amendments to local government funding may be deferred. This is potentially positive for the Council as it would put back the significant reduction in grant projected in the Medium Term Financial Plan.

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 risks and opportunities for 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 2019. The statements and notes include detailed information to help readers of the accounts gain a good understanding of the Council's finances. 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 2018/19 (the Code), and are based on International Financial Reporting Standards (IFRS). 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 Chief Finance Officer and supported on an annual basis by the external audit process to ensure the accounts are true and fair. As noted above, for 2018/19 it was judged that group accounts should be prepared to reflect the now material operations of the Heart of Cumbria Limited.

#### **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:

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	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
<b>Net Cost of Services</b>	<b>9,022</b>	<b>1,052</b>	<b>10,074</b>
Other Income and Expenditure	-8,034	-1,342	-9,376
<b>Surplus/Deficit (-/+)</b>	<b>988</b>	<b>-290</b>	<b>698</b>
General Fund Balance 31 March 2018	-14,004		
Surplus/Deficit in Year (-/+)	988		
<b>General Fund Balance 31 March 2019</b>	<b>-13,016</b>		

This shows a total General Fund reduction of £988k during 2018/19.

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

31-Mar-18 £'000		31-Mar-19 £'000	Movement £'000
8,338	General Fund Balance	7,574	-764
5,666	Earmarked Reserves	5,442	-224
<b>14,004</b>	<b>Total Revenue Reserves</b>	<b>13,016</b>	<b>-988</b>
1,357	Capital Receipts Reserve	1,296	-61
407	Capital Grants Unapplied	662	255
<b>1,764</b>	<b>Total Capital Reserves</b>	<b>1,958</b>	<b>194</b>
<b>15,768</b>	<b>Total Usable Reserves</b>	<b>14,974</b>	<b>-794</b>

This shows that revenue reserves have reduced by approximately £1m over the period. The reserves remain 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. This is discussed in more detail in the section below on the Medium Term Financial Plan and Resilience. There is a significant risk that the Council will face severe financial pressures over the medium term.

In terms of performance against budget the table below shows how actual spending compared with the revised budget:

	Budget £000	Actual £000	Variance £000
Services	9,490	9,356	-134
Treasury Management	-377	-396	-19
Investment property	-957	-964	-7
Other Corporate items	-7,378	-7,232	146
<b>Total</b>	<b>778</b>	<b>764</b>	<b>-14</b>
Carry Forwards approved			136
One-off Impact of IFRS 15 on income			-218
Prior year correction on NNDR allowance			-127
<b>Adjusted</b>			<b>-223</b>

The actual figure of £764k is effectively the reduction to the General Fund balance (excluding earmarked reserves). The revised budget 2018/19 was to withdraw £778k from the General Fund giving an overall underspend of £14k in the year. Within this, there are a number of underspends relating to budgets that have been approved for carry forward by Council 11 April 2019, these totalled £136k (following reduction of some amounts based on the actual budget remaining). In addition, there was a one off impact on income due to the introduction of IFRS 15, income from contracts with customers. This change to the accounting treatment reduced income on a one off basis by £218k. This reflected the change in recognition of income from an essentially cash basis to one where the completion of inspections or determinations was used as a performance obligation to be met before income was recognised. There was also a one-off backdated correction to the NNDR cost of collection allowance relating to 2014/15, reducing income by a further £127k. Adjusting for these one-off corporate items gives a modest underspend of £223k. Full details are reported within the out-turn reports to July Executive and Council.

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### **Capital Expenditure and Borrowing**

During 2018/19, the Council spent £1.7m on capital projects, against a revised budget of £3.2m. This does not reflect a true underspend but is due to the timing of expenditure. £1.3m will be re-profiled into future years of the programme. The single largest element of this relates to £450k in relation to Disabled Facilities Grant income. These are demand led but their use is restricted to capital schemes within the scope of the Disabled Facilities Grant scheme or other eligible social care capital schemes. £240k of loan finance will be deferred 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 is due in the first quarter of 2019/20 but is dependent on delivery of completed units by the developer. The other significant item relates to uptake of the final tranche of Housing Innovation Fund loans; £358k has been set aside for this purpose but is subject to demand.

The main items of expenditure were:

<b>Description</b>	<b>£000</b>
Disabled Facility Grants	298
Old London Road Depot site	118
Footway Lighting	23
Digital Innovation Project	64
IT renewals	114
Heart of Cumbria Equity	1,000
Heart of Cumbria Loan	50
Bolton Play area	72
	<hr/>
	1,739

£50k of prudential borrowing was taken out to fund the programme although no actual loans were taken out, with internal cash resources used instead. 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.

### **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 2019. The Council has net assets of £47.5m (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 a reduction of £1.3m over the year. The single largest factor is an increase to the net pension liability of £2m. Working capital (cash plus current debtors and creditors) has increased from £4.7m to £5.1m. The Council's usable reserves (capital and revenue) decreased by £0.8m 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 2019, the actuarial valuation showed a net liability of £11.6m (2017/18: £9.6m). 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 2018/19 has increased from that in 2017/18 mainly relating to the financial assumptions (for example, 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 replaced with funding from BRRS. BRRS is reflected in these accounts, principally in the Collection Fund and Comprehensive Income and Expenditure Statement.



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The Collection Fund balance was a deficit of £0.7m at 31 March 2019, made up of a deficit of £0.9m from Council Tax and a £0.2m surplus 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 2018/19. As at 31 March 2019, £11.4m of investments and cash of £4.0m were managed in-house. The Council had £1.4m long term loans outstanding, similar to the prior year.

The Council's investment activity complied with the Council's Treasury Management Strategy for 2018/19, which was approved by Council on 15 February 2018 (Ref F11/18) and reviewed on 8 November 2018 (Ref F75/18). During the year, a financing package was approved to invest £1m of equity and a further £50k of approved loan facility to the Heart of Cumbria Limited. Over medium term, the loans are expected to have significant impact on cash resources as the majority of the £5m of loans approved is yet to be called.

### **Workforce**

During the year, the Council appointed a new Chief Executive, Rose Rouse, and undertook a senior management Fit for Purpose Review. This resulted in a change to the directorate structure, re-situating statutory Monitoring Officer and Chief Finance Officer positions within the Assistant Director tier and the movement of some services between Assistant Directors. The position as at the year-end is set out below:

- Chief Executive
- Director of Corporate Services
- Director of People and Place

### **Chief Executive responsibilities**

The Chief Executive is our Head of Paid Service and has responsibility for overall management of the Council, its vision and strategy. The Policy, Performance and HR section and the Transformation and Customers section report directly to the Chief Executive and provide the following services:

- Policy, Performance and HR – Employee Relations; Recruitment; Learning and Development; Personnel Admin; Corporate Health and Well-being; Organisational Development; Corporate Policy; Performance Management and Information Governance.
- Transformation and Customers – Customer Services; Alston Local Links Centre; Communications and the Council's Websites.

### **Department of Corporate Services responsibilities**

The Director of Corporate Services takes the lead on the governance arrangements for the Council ensuring that the Constitution and Standing Orders are fit for purpose and are adhered to. They are also responsible for leading the Commercial Strategy and the programme of work which supports it. The Director of Corporate Services is the Council's Electoral Registration Officer and Returning Officer for national and local elections and has senior management responsibility for the Assistant Director Governance who is the Council's Monitoring Officer and Assistant Director Finance who is the Council's Chief Finance Officer (s151). The department provides a mix of support and front line services and is organised into the following sections:

- Finance - Internal Audit; Financial Advice and Accountancy; Insurance and Risk Management; Payroll; Purchasing; Treasury Management; Creditors and Sundry Debtors.
- Governance – Legal advice and support to Members and client departments; Elections; Member Services and Scrutiny.
- Revenues and Benefits - Council Tax, Business Rates, Housing Benefits and Council Tax Reduction.
- IT services (part of shared service with South Lakeland District Council).

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**Department of People and Place responsibilities**

The Director of People and Place takes the lead on the development and delivery of the Council's plans to meet the long-term challenges for Eden, such as delivering more homes, creating higher paid jobs and improving transport infrastructure. They lead the district's plans for place-shaping and masterplanning and have senior management responsibility for the following sections:

- Community Services - Food Safety, Health and Safety enforcement; Environmental Protection; Community Wardens; Pest Control; Housing (including grants); Private housing conditions and enforcement; Homelessness; Social Housing services; Housing policy; Disabled Facilities Grants; Health and Well-being and Licensing.
- Commissioning and Technical Services - Contract Management for refuse collection, street cleaning, grounds maintenance and building cleaning; Emergency Response including flood management; Facilities and Estates Management; Corporate Health and Safety; Sports facilities and the leisure services' contract; Equalities work across the district and Building Control.
- Planning and Economic Development - Economic Development; Town Centres including the provision of a markets service; Tourism promotion and development; Tourist Information Centre support; management of Penrith Museum and partnership working with a range of private and public sector agencies; 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, approvals and enforcement); Planning Services Support (administration support, the Gazetteer function and street naming and numbering) and Land Charges.

Permanent employees by department:

Department	Full Time Equivalent Employees
Chief Executive	24.08
Corporate Services	45.76
People and Place	87.57
<b>All departments</b>	<b>Total 157.41</b>
<b>All departments</b>	<b>2017/18 Total 154.06</b>

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:

2017/18 Year End	Key Performance Indicator	2018/19 Target	2018/19 Year End
0*	Missed refuse collections (after 24 hours) from 25,630 properties Q1 and 25,791 properties in Q2, Q3 and Q4	<3	0
98%	Percentage of planned food safety inspections undertaken (available annually)	98%	98.14%
5	Number of formal stage 1 complaints registered	20	7
143	Number of households accessing Council housing options services	250	298
27	Number of homeless prevention, relief and full duty cases opened	180	178
3	Number of households to whom a full duty is owed	2	0
98.1	Projected year end percentage of Council Tax Collected	98.1	98.3
6.69	Number of working days lost to sickness (Full Time Equivalent)	7	8.15
26 days	Time taken to process new HB/CTRS claims	26 days	27 days
94.1%	Percentage of minor applications determined within 8 weeks	90%	88.8%

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

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The performance indicators show that performance is generally on target. In terms of some of the trends seen between years and against the 2018/19 targets:

- During 2017/18, the Council implemented a new Revenues and Benefits system. This major project required significant staff resources but is now embedded and performance is slightly below target on processing times but slightly above target on Council Tax collection rate.
- The percentage of minor applications determined within 8 weeks was moderately below target and the prior year performance, however it significantly exceeded the national target of 70%.
- The demand for the housing options and homelessness prevention services have increased in the year; this indicates the need for affordable housing in the district and changes to the regulatory framework which has widened the scope of the service compared to 2017/18.
- The increase in working days lost to sickness related to a small number of long term sickness absences and is not expected to recur for 2019/20.

Overall, the key performance data suggests that the Council is achieving its objectives. Over 2019/20 the performance reporting framework is due to be updated. Full details and the out-turn for 2018/19 are available on the Scrutiny Coordinating Board agenda for 30 May 2019.

### **Financial Resilience and Medium Term Financial Plan**

The Council's MTFP, agreed as part of setting the 2019/20 budget shows that the Council will need to address an underlying budget deficit in future years:

#### **Medium Term Financial Plan 2019-2023**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Base Budget	9,252	9,516	9,726	9,975
Penrith New Squares	-820	-826	-831	-837
Local Elections	80	0	0	0
Parish Grant re CTRS	15	15	16	16
Interest/Property Fund Rents Receivable	-396	-423	-453	-441
Capital Programme Financing Costs	16	77	123	153
Growth: Recurring	35	36	37	38
<b>Recurring Expenditure</b>	<b>8,182</b>	<b>8,395</b>	<b>8,618</b>	<b>8,904</b>
Non-Recurring Costs:				
Recommissioning of Service Contracts	65	120	0	0
Proposed Growth: Non-Recurring	159	0	0	0
Previous Growth: Non-Recurring	93	76	53	0
Appleby Heritage Action Zone	50	72	53	0
Armed Forces Support Hub and Outreach	5	5	0	0
Revenue Contribution to Capital	167	0	0	0
<b>Non-Recurring Expenditure</b>	<b>539</b>	<b>273</b>	<b>106</b>	<b>0</b>
<b>Net Expenditure (Recurring and Non-Recurring)</b>	<b>8,721</b>	<b>8,668</b>	<b>8,724</b>	<b>8,904</b>
<b>Government Funding and Council Tax Income</b>	<b>-7,694</b>	<b>-6,947</b>	<b>-6,937</b>	<b>-7,144</b>
<b>Deficit</b>	<b>1,027</b>	<b>1,721</b>	<b>1,787</b>	<b>1,760</b>

Full details are set out in the Budget report presented to Council on 14 February 2019.

### **Key risks**

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

- Inflation;
- Fluctuation in Income from retained Business Rates;
- Central Government Funding;
- The impact of Brexit; and
- Potential changes in pension contributions.

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The single key item in the projections is around the government finance settlement in 2020/21. The government is due to complete a comprehensive spending review, a change to distribution formula and a reset of the business rates baseline. The impact of these is unknown but could be significant, particularly if resources are re-distributed in favour of those with social care responsibilities.

### **Key opportunities**

The Council has strong reserves and so is in a good position to make planned investments to improve efficiency. However, the scenario set out above would represent a significant challenge to the authority in terms of cost savings, income generation and demand management.

The One Eden programme has been established to integrate strands of existing transformation work and to ensure a corporate approach is applied to mitigate the risks around delivery. This will include development and monitoring of the options to meet the budget gap. There are also opportunities to work with partners, particularly around initiatives such as one public estate. This could create commercial opportunities in the district while rationalising public assets and generating efficiencies. The Council has also engaged the management consultancy Ignite to support the development of the One Eden programme including a detailed assessment of the baseline operating model and options to improve the customer focus while generating savings. During the next budget cycle savings targets based on achievable costed options will be included within the medium term financial plan.

Although the Council faces significant budget pressure, this is the catalyst for a Council wide programme to review service delivery.

### **Heart of Cumbria**

During the year, the Heart of Cumbria Limited has become operational and as at 31 March 2019 was successfully letting 7 affordable units, had seen the value of those units increase by £26k and had committed to purchasing a further 74. As the company is now trading and the transactions are financially material, group accounts have been prepared. The company offers the Council a vehicle to deliver services it could not otherwise deliver and the future potential for this will be further explored as part of the wider One Eden programme.

### **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. The Council has a publicly available constitution setting out the key structures, responsibilities, delegations, procedure rules and protocols. It also has a Council Plan setting out the strategic aims and objectives. The single largest event in terms of governance was the Fit for Purpose review of senior management. This resulted in a major change at the director level with the Director of Finance and Deputy Chief Executive roles being removed from the establishment and a Director of Corporate Services and a Director of People and Place being created. There were also some adjustments to roles and responsibilities for assistant directors. The Constitution was reviewed to reflect this and the amendments approved at April Council.

### **Conclusion**

Overall, although there is significant uncertainty, particularly around future funding levels, the Council is currently in a robust financial position. The level of the challenge should be clarified through the 2020/21 finance settlement. Financial performance will need to be improved in future years to ensure the Council can continue to set sustainable, balanced budgets.

P Notley

Peter Notley  
Assistant Director Finance  
Chief Finance Officer (S151)

25 July 2019

## **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 Assistant Director Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Assistant Director Finance's Responsibilities:

- The Assistant Director Finance is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('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 2019.

In preparing this Statement of Accounts, the Assistant Director 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 Assistant Director 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, including the group accounts, presents a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.

P Notley

Pete Notley  
Assistant Director Finance  
Chief Finance Officer (S151)

Date: 25 July 2019

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**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
<b>Balance at 31.3.18</b>		<b>14,004</b>	<b>1,357</b>	<b>407</b>	<b>15,768</b>	<b>33,009</b>	<b>48,777</b>
Surplus/deficit on provision of services (accounting basis)		-698	0	0	-698	0	-698
Other Comprehensive Expenditure and Income		0	0	0	0	-623	-623
<b>Total Comprehensive Expenditure and Income</b>		<b>-698</b>	<b>0</b>	<b>0</b>	<b>-698</b>	<b>-623</b>	<b>-1,321</b>
Adjustments between accounting basis and funding basis under regulations	9	-290	-61	255	-96	96	0
<b>Increase/decrease in year</b>		<b>-988</b>	<b>-61</b>	<b>255</b>	<b>-794</b>	<b>-527</b>	<b>-1,321</b>
<b>Balance at 31.3.19</b>		<b>13,016</b>	<b>1,296</b>	<b>662</b>	<b>14,974</b>	<b>32,482</b>	<b>47,456</b>

The comparative figures from 2017/18 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
<b>Balance at 31.3.17</b>		<b>14,395</b>	<b>1,324</b>	<b>249</b>	<b>15,968</b>	<b>26,491</b>	<b>42,459</b>
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
<b>Total Comprehensive Expenditure and Income</b>		<b>1,155</b>	<b>0</b>	<b>0</b>	<b>1,155</b>	<b>5,163</b>	<b>6,318</b>
Adjustments between accounting basis and funding basis under regulations	9	-1,546	33	158	-1,355	1,355	0
<b>Increase/decrease in year</b>		<b>-391</b>	<b>33</b>	<b>158</b>	<b>-200</b>	<b>6,518</b>	<b>6,318</b>
<b>Balance at 31.3.17</b>		<b>14,004</b>	<b>1,357</b>	<b>407</b>	<b>15,768</b>	<b>33,009</b>	<b>48,777</b>

**Eden District Council  
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**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.

Restated (note 2)				2018/19	2018/19	2018/19	Notes
2017/18 Gross Expend £'000	2017/18 Gross Income £'000	2017/18 Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000	
			<b>Expenditure on Services</b>				
908	-211	697	Commercial Services Portfolio	918	-100	818	
628	-41	587	Communities Portfolio	842	-131	711	
914	-863	51	Eden Development Portfolio	1,148	-577	571	
1,627	-1,077	550	Housing and Health Portfolio	1,903	-1,191	712	
792	-22	770	Leader Portfolio	910	-31	879	
12,500	-9,161	3,339	Resources Portfolio	12,789	-9,062	3,727	
3,983	-1,494	2,489	Services Portfolio	3,984	-1,328	2,656	
<b>21,352</b>	<b>-12,869</b>	<b>8,483</b>	<b>Cost of Services</b>	<b>22,494</b>	<b>-12,420</b>	<b>10,074</b>	
<b>917</b>	<b>-189</b>	<b>728</b>	<b>Other Operating Expenditure</b>	<b>1,381</b>	<b>-72</b>	<b>1,309</b>	11
<b>1,551</b>	<b>-2,808</b>	<b>-1,257</b>	<b>Financing and Investment Income and Expenditure</b>	<b>1,621</b>	<b>-3,058</b>	<b>-1,437</b>	12
<b>6,415</b>	<b>-15,524</b>	<b>-9,109</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>6,646</b>	<b>-15,894</b>	<b>-9,248</b>	13
<b>30,235</b>	<b>-31,390</b>	<b>-1,155</b>	<b>Surplus/Deficit on the Provision of Services (-/+)</b>	<b>32,142</b>	<b>-31,444</b>	<b>698</b>	<b>35</b>
52	-2,144	-2,092	Surplus/Deficit on Revaluation of Non-Current Assets	0	-480	-480	14
0	-204	-204	Surplus on Revaluation of Financial Assets	0	-26	-26	30
36	-2,903	-2,867	Remeasurement of the Net Defined Benefit Liability	3,099	-1,970	1,129	45
<b>88</b>	<b>-5,251</b>	<b>-5,163</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>3,099</b>	<b>-2,476</b>	<b>623</b>	
<b>30,323</b>	<b>-36,641</b>	<b>-6,318</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>35,241</b>	<b>-33,920</b>	<b>1,321</b>	

**Eden District Council**  
**Statement of Accounts 2018/19**

**Balance Sheet as at 31 March 2019**

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.

<b>31 March 2018</b>		<b>31 March 2019</b>	<b>Notes</b>
<b>£'000</b>		<b>£'000</b>	
22,713	Property, Plant and Equipment	22,570	14
783	Heritage Assets	786	15
17,170	Investment Property	17,465	16
278	Intangible Assets	309	17
5,288	Long Term Investments	5,381	21
1,431	Long Term Debtors	1,416	19
<b>47,663</b>	<b>Total Long Term Assets</b>	<b>47,927</b>	
12	Inventories	14	
3,170	Short Term Debtors	3,873	20
5,995	Short Term Investments	6,008	21
4,627	Cash and Cash Equivalents	3,997	22
541	Assets Held for Sale	398	23
<b>14,345</b>	<b>Total Current Assets</b>	<b>14,290</b>	
-3,103	Short Term Creditors	-2,759	24
-409	Provisions	-207	25
-55	Short Term Borrowing	-28	26
<b>-3,567</b>	<b>Total Current Liabilities</b>	<b>-2,994</b>	
-28	Long Term Borrowing	0	26
0	Long term creditors	-156	
-9,636	Pension Liability	-11,611	45
<b>-9,664</b>	<b>Total Long Term Liabilities</b>	<b>-11,767</b>	
<b>48,777</b>	<b>Net Assets</b>	<b>47,456</b>	
-15,768	Usable Reserves	-14,974	28
-33,009	Unusable Reserves	-32,482	30
<b>-48,777</b>	<b>Total Reserves</b>	<b>-47,456</b>	

I certify that the Statement of Accounts, including the group accounts, presents a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended. These statements replace the unaudited version which was authorised for issue by the Assistant Director Finance (S151 Officer) on 31 May 2019.

P Notley

Pete Notley  
Assistant Director Finance and Chief Finance Officer (S151)

25 July 2019

M Eyles

Councillor Mike Eyles  
Chair of Accounts and Governance Committee  
on behalf of Eden District Council

25 July 2019



**Eden District Council  
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**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.

<b>2017/18</b>		<b>2018/19</b>	<b>Notes</b>
<b>£'000</b>		<b>£'000</b>	
<b>1,155</b>	<b>Net Surplus or deficit (+/-) on Service Provision</b>	<b>-698</b>	31
1,560	Adjust net surplus or deficit on the provision of services for non-cash movements	851	31
-908	Adjust for items included in the new surplus or deficit on the provision of services that are investing and finance activity	-670	31
<b>1,807</b>	<b>Net Cash Flow from Operating Activities</b>	<b>-517</b>	31
-789	Net cash flows from investing activities	19	33
918	Net cash flows from financing activities	-132	34
<b>1,936</b>	<b>Net Increase/Decrease in Cash and Cash Equivalents</b>	<b>-630</b>	
2,691	Cash and cash equivalents at 1 April	4,627	22
4,627	Cash and cash equivalents at 31 March	3,997	22
<b>1,936</b>	<b>Net Increase/Decrease (+/-) in Cash and Cash Equivalents</b>	<b>-630</b>	22

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## **Note A - Accounting Policies**

### **A1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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:

- Revenues from contracts with service recipients will be recognised as the authority satisfies the performance obligations within the contract;
- Revenues from non-exchange transactions (for example, Local Taxation, Government grants, see also A10) will be recognised in the relevant accounting period;
- 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 any prior period adjustments.

#### **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 (called Minimum Revenue Provision, 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 in the General Fund, by the MRP charge.

#### **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.

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 Local Government 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 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 Local Government Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
  - ▷ quoted securities – current bid price;
  - ▷ unquoted securities – professional estimate;
  - ▷ unitised securities – current bid price; and
  - ▷ property – 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.
- ▷ Net interest on the net defined liability (asset), that is, the net interest cost for the Council. This is 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 via 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 via Other Comprehensive Income and Expenditure.; and
- ▷ Contributions paid to the Cumbria Local Government Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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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 charge to the General Fund Balance in year.

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.

### **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.

#### **Financial Assets**

Financial assets are classified into three types:

- Amortised Cost – assets that are held solely in relation to fixed or determinable payments of principal and interest

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- Fair value through other comprehensive income (FV OCI) – assets that have fixed or determinable payments but which may be held for active trading. This may also include investments in equity instruments where a designation to classify as FV OCI has been made
- Fair value through profit and loss – any other type of asset

Classification will take into account both the business model for managing the asset and the contractual cash flow characteristics of the asset.

### **Amortised Cost**

Assets held at Amortised Cost 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.

The prospective loss model will be applied to charge the surplus/deficit on provision of services with an amount to reflect the expected credit losses. The 12 month expected credit losses will be used where assets have had no significant increase in their risk profile since initial recognition, otherwise the lifetime credit loss will be used. The 'simplified approach' of defaulting to the lifetime credit loss model will be used for Trade receivables.

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 and this exceeds any anticipated credit loss allowance already 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. Where, on maturity, there is no impairment event, the allowance for credit loss will be credited back to the surplus/deficit on provision of services. Investments are classified as either long-term assets, repayable after 12 months or longer, or as current assets if repayable within 12 months.

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.

### **Fair Value through other comprehensive income**

Fair Value through other comprehensive income 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. 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.

Assets are maintained in the Balance Sheet at fair value; any movement in the fair value goes through other comprehensive income and expenditure and will neither be a charge or credit to the general fund until the asset is derecognised at which point the cumulative change in value will be recognised against the surplus/deficit on provision of services (with the exception of elected equity investments).

Where a FV OCI asset has contractual cash flows, an allowance for expected credit losses will be made using the same principals as for assets held at amortised cost. Where assets are identified as impaired 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.

## **Fair Value through Profit and Loss**

This category of assets shall be accounted for similarly to those held at Fair Value through other Comprehensive Income except that all value movements shall be recognised in the surplus/deficit on provision of services and so will be charged or credited against the general fund as they occur. The exception to this is where a statutory over-ride or capital controls would reverse such credits or charges out of the general fund.

### **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)**

Business Improvement Districts (BID) apply across parts 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 BIDs and pays all income collected to the BIDs less reasonable administration costs.

### **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.

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 current value where this can be obtained.

### **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.

### **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.

### **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.

### **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 £10k) 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.

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.

#### **16. 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. Again, 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.

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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.

### **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 £10k has been set. Below this level, expenditure is treated as revenue.

The valuation cycle is now on a bi-annual basis with Leisure Assets in one year and all other assets the next. A desktop review of indices is completed to provide assurance that carrying values are not materially different from what they would have been, had a full revaluation been performed, on those assets not subject to full revaluation in year.

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.

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

<b>Assets</b>	<b>Property, Plant and Equipment</b>	<b>Basis of Valuation</b>
<b>Operational</b>	<b>Other Land and Buildings</b>	
	Specialised Properties	Depreciated Replacement Cost (Current Value)
	Non-Specialised Properties	Existing Use Value (Current Value)
	Vehicles, Plant and Equipment	Depreciated Historical Cost (proxy for Current Value)
	Infrastructure Assets	Depreciated Historical Cost
	Community Assets	Historical Cost
<b>Non-Operational</b>	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.

### **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).

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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 £250k, 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.

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Amounts received for a disposal in excess of £10k 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. For wholly owned subsidiaries, group accounting statements will be prepared by aggregating the Council and Company accounts on a line by line basis, using the Council's accounting policies.

## **A23. Agency Arrangements**

The Council is a billing authority and, as such, acts as agent in collecting and distributing Council Tax, BID levys 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.



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**Other Notes to the Accounts**

**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.

	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Commercial Services Portfolio	684	134	818
Communities Portfolio	438	273	711
Eden Development Services portfolio	473	98	571
Housing and Health Portfolio	855	-143	712
Leader Portfolio	795	84	879
Resources Portfolio	3,269	458	3,727
Services Portfolio	2,508	148	2,656
<b>Net cost of services</b>	<b>9,022</b>	<b>1,052</b>	<b>10,074</b>
Other income and expenditure	-8,034	-1,342	-9,376
<b>Surplus / deficit (-/+)</b>	<b>988</b>	<b>-290</b>	<b>698</b>
General fund balance 31 March 2018	-14,004		
Surplus/deficit in year (-/+)	988		
<b>General Fund balance 31 March 2019</b>	<b>-13,016</b>		

**Adjustments to Funding and Accounting Basis**

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

	<b>Adjustments for capital purposes</b>	<b>Net change for the pensions Adjustment</b>	<b>Accumulated absences and Collection fund adjustment</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Commercial Services Portfolio	94	40	0	134
Communities Portfolio	273	0	0	273
Eden Development Services Portfolio	0	98	0	98
Housing and Health Portfolio	-255	112	0	-143
Leader Portfolio	4	80	0	84
Resources Portfolio	317	141	0	458
Services Portfolio	36	112	0	148
<b>Net cost of services</b>	<b>469</b>	<b>583</b>	<b>0</b>	<b>1,052</b>
Other income and expenditure from the funding analysis	-1,249	263	-356	-1,342
<b>Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>-780</b>	<b>846</b>	<b>-356</b>	<b>-290</b>

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**Expenditure and Funding Analysis 2017/18 Restated**

These figures have been restated in line with amendments to the CIES to remove transactions between segments (recharges). Note 2 sets out the detail of the restatements.

	<b>Net Expenditure Chargeable to the General Fund £000</b>	<b>Adjustments between Funding and Accounting Basis £000</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £000</b>
Commercial Services Portfolio	552	145	697
Communities Portfolio	352	235	587
Eden Development Portfolio	-62	113	51
Housing and Health Portfolio	527	23	550
Leader Portfolio	697	73	770
Resources Portfolio	3,055	284	3,339
Services Portfolio	2,324	165	2,489
<b>Net cost of services</b>	<b>7,445</b>	<b>1,038</b>	<b>8,483</b>
Other income and expenditure	-7,054	-2,584	-9,638
<b>Surplus / deficit (-/+)</b>	<b>391</b>	<b>-1,546</b>	<b>-1,155</b>
General Fund 31 March 2017	-14,395		
Surplus / deficit (-/+)	391		
<b>General Fund 31 March 2018</b>	<b>14,004</b>		

**Adjustments to Funding and Accounting Basis 2017/18**

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

	<b>Adjustments for capital purposes £000</b>	<b>Net change for the pensions Adjustment £000</b>	<b>Accumulated absences and collection fund £000</b>	<b>Total Adjustments £000</b>
Commercial Services Portfolio	98	37	10	145
Communities Portfolio	235	0	0	235
Eden Development 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
<b>Net cost of services</b>	<b>381</b>	<b>620</b>	<b>37</b>	<b>1,038</b>
Other income and expenditure from the funding analysis	-2,139	303	-748	-2,584
<b>Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>-1,758</b>	<b>923</b>	<b>-711</b>	<b>-1,546</b>

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## 2. Prior Period Restatement of Service Expenditure and Income

The Council previously recharged direct costs and overheads, held within departmental business units, as staff and overheads across all of its services. The departmental business units held a net nil balance and the costs were reflected in the accounts through recharges to service portfolios. Recharges across services no longer take place and the costs remain within the departmental business unit. This has meant that the 2017/18 figures have been re-stated without inter-departmental recharges and now include the cost of the departmental business unit. The table below shows how figures from the old structure have been revised into the new structure in the Comprehensive Income and Expenditure statement.

	As stated in 2017/18			Adjustments	Restated		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Gross Expenditure	Income	Net Expenditure
	2017/18 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
Commercial Services Portfolio	961	-211	750	-53	908	-211	697
Communities Portfolio	971	-41	930	-343	628	-41	587
Eden Development Portfolio	1,197	-863	334	-283	914	-863	51
Housing and Health Portfolio	1,716	-1,077	639	-89	1,627	-1,077	550
Leader Portfolio	138	-22	116	654	792	-22	770
Resources Portfolio	12,384	-9,161	3,223	116	12,500	-9,161	3,339
Services Portfolio	3,985	-1,494	2,491	-2	3,983	-1,494	2,489
<b>Cost of Services</b>	<b>21,352</b>	<b>-12,869</b>	<b>8,483</b>	<b>0</b>	<b>21,352</b>	<b>12,869</b>	<b>8,483</b>

## 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 limited trading during 2017/18 but had material operations during 2018/19 including a £1m equity investment by the Council to support acquisition of affordable houses for rent in Penrith. As at 31 March 2019, the company had acquired 7 units and committed to acquire a further 74 over the medium term. Group accounts have therefore been produced for 2018/19.

The Council's equity investment in the company is presented at fair value within long-term investments on the Council's single entity balance sheet. Under International Financial Reporting Standard 9 (IFRS 9), the Council has the option to irrevocably elect this investment as 'Fair Value through Other Comprehensive Income'. This election has been applied. This means that year-to-year changes in the fair value (up or down) of the company will not impact on the Council's General Fund balance. This is judged to be reasonable given that this is a long-term investment and is not held for active trading to benefit from capital gains.

The fair value of the company will be clear from the carrying value on the balance sheet allowing users of the accounts to assess how this compares to the original capital invested. The value of the company had risen by £26k up to 31 March 2019 reflecting increases in the value of the 7 properties acquired. This is shown as an increase in the investment value on the Council's single entity balance sheet and an increase in the property value in the group statements.

There have been no other subsidiaries established and no other joint ventures, jointly controlled entities or partnerships where the Council has significant influence in operation, that require recognition within the group accounts.

#### **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 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. The adoption of this standard has been deferred until 1 April 2020.
- There are also a number of clarifications to existing standards which have been issued but not adopted; these are not judged to have significant impact on the Council:
  - IAS 40 Investment Property: Transfers of Investment Property; the Council complies with IAS 40 and has no plans to review the categorisation of its investment properties.
  - IFRIC 22 Foreign Currency Transactions and Advance Consideration. The Council does not have any material foreign currency transactions.
  - IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. There are unlikely to be any transactions where this is relevant.

#### **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;
- In the prior year the Council 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 comparators. As at 31 March 2019, there were no short-term investments recognised with an original term of less than 3 months;
- The Council has judged that its investment in the CCLA Property Fund will be accounted for as at Fair Value through Profit and Loss (FV-P&L). A statutory over-ride for pooled funds will defer the impact of changes in the capital value on the general fund for 5 years. The equity investment in Heart of Cumbria limited has been irrevocably elected to be held at Fair Value through Other Income and Expenditure (FV-OCI). This prevents annual movements in the capital value from impacting on the General Fund.
- The Council has judged that the Heart of Cumbria properties are operational in the Group balance sheet. This is on the basis that they are directly contributing to the Council's policy objectives; the affordable rents being charged are as a result of the S106 restriction imposed by the Council.
- The Council has classified a number of assets as investment properties which results in measuring their value at fair value rather than current value (in existing use) for operational properties. Although holding commercial property can be judged as fulfilling economic development policy objectives and so operational in nature, the Council has judged that properties held for rentals on commercial terms are investment properties.

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 2019, for which there is a risk of adjustment in the forthcoming financial year, are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 £13k for every year that useful lives are reduced by.
Property, Plant and Equipment/ Investment property valuations	As set out in the accounting policies, some material asset categories are held at current or fair value, the measurement of which requires professional judgement. The Council values non-current tangible assets held at fair value on an annual basis. Operational assets held at current value are valued every other year. This provides a good level of assurance that carrying values are not materially different from current or fair value at the balance sheet date.	The total value of non-current tangible assets at fair or current value was £39.9m, a 1% error would equate to £399k variance on the balance sheet and CIES. Statutory over-rides exist that prevent revaluations impacting on the authority's usable reserves. See also fair value measurements below.
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.
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. 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 2019 as set out in the Provisions note.  It is not certain that the total amount of the provisions will be totally sufficient or required in full.	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 2019/20. Should a further amount be needed, this will be an additional charge to the General Fund/Collection Fund.
Arrears	In the Balance Sheet at 31 March 2019, the Council included an estimated allowance for credit losses of £354k has been calculated as appropriate. Such allowance may not be sufficient in future and may require reassessment.	If collection rates deteriorate, the allowance for credit losses would increase. If it were determined that the allowance should increase by 10%, an extra £35k would need to be set aside.

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**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:

	2017/18	2018/19
	£000	£000
Contract payment for Refuse Collection	755	782
Recycling credits income	-647	-631
Housing Benefit paid to claimants	8,231	8,095
Housing Benefit subsidy grant	-8,151	-8,046
Rental Income from the Penrith New Squares	-810	-818
Development Control income	-661	-375
Cumbria Business Rates Pool income	-253	-372
Cumbria Business Rates Pool Levy	441	660

**8. Events after the Balance Sheet Date**

The audited Statement of Accounts were authorised by the Assistant Director Finance (Chief Finance Officer) Peter Notley on 25 July 2019. 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 2019, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

£2m of investment balances which were outstanding as at 31 March 2019 matured before the unaudited accounts were signed. These were held at amortised cost and under IFRS 9 should have an allowance for impairment charged against them for expected credit losses. As these were repaid in full, no impairment loss was charged against them as at 31 March 2019.

At the time of preparing the accounts, the Government had requested permission to appeal the McCloud pensions case from the Supreme Court. On the 27 June 2019, this was denied. This meant that on balance, the criteria for recognising additional pension liabilities were judged to have been met. See note 45 for more details.

**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.

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<b>2018-2019</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to Revenue Resources</b>				
<b>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</b>				
Pension Costs Transferred from the Pensions Reserve	846	0	0	-846
Council Tax and Non-Domestic Rates Transferred from the Collection Fund	-357	0	0	357
Holiday Pay Transferred to the Accumulated Absences Reserve	0	0	0	0
Reversal in relation to loss allowance and Financial instruments held at FVPL	-44			44
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure	174	0	624	-798
<b>Total Adjustments to Revenue Resources</b>	<b>619</b>	<b>0</b>	<b>624</b>	<b>-1,243</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	281	46	0	-327
Statutory Provision for the Repayment of Debt	-12	0	0	12
Capital Expenditure Financed from General Fund Balances	-1,178	0	0	1,178
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-909</b>	<b>46</b>	<b>0</b>	<b>863</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to Finance Capital Expenditure	0	-141	0	141
Application of Capital Grants to Finance New Capital Expenditure	0	0	-369	369
Cash Payments in Relation to Long Term Debtors	0	34		-34
<b>Total Adjustment to Capital Resources</b>	<b>0</b>	<b>-107</b>	<b>-369</b>	<b>476</b>
<b>Total Adjustments</b>	<b>-290</b>	<b>-61</b>	<b>255</b>	<b>96</b>

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to Revenue Resources</b>				
<b>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</b>				
Pension Costs Transferred from the Pensions Reserve	924			-924
Council Tax and Non-Domestic Rates Transferred from the Collection Fund	-749			749
Holiday Pay Transferred to the Accumulated Absences Reserve	36			-36
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure	120		394	-514
<b>Total Adjustments to Revenue Resources</b>	<b>331</b>	<b>0</b>	<b>394</b>	<b>-725</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	-189	514		-325
Statutory Provision for the Repayment of Debt	-12			12
Capital Expenditure Financed from General Fund Balances	-1,676			1,676
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-1,877</b>	<b>514</b>	<b>0</b>	<b>1,363</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to Finance Capital Expenditure	0	-489	0	489
Application of Capital Grants to Finance New Capital Expenditure	0		-236	236
Cash Payments in Relation to Long Term Debtors	0	8	0	-8
<b>Total Adjustment to Capital Resources</b>	<b>0</b>	<b>-481</b>	<b>-236</b>	<b>717</b>
<b>Total Adjustments</b>	<b>-1,546</b>	<b>33</b>	<b>158</b>	<b>1,355</b>

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**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-17 £'000	Transfer Out £'000	Transfer In £'000	31-Mar-18 £'000	Transfer Out £'000	Transfer In £'000	31-Mar-19 £'000
Renewals Fund	1,074	-397	202	879	-64	194	1,009
IT Renewals Fund	65	-20	25	70	-114	125	81
Capital Funding Reserve	403	0	0	403	0	0	403
Business Rates Pool Volatility	53	-53	0	0	0	0	0
Homelessness	445	-445	58	58	0	53	111
Repossession Prevention Fund	30	0	0	30	0	0	30
Building Regulations Surplus/Deficit	41	0	44	85	0	36	121
Community Fund	81	-83	110	108	-4	10	114
Affordable Housing Fund	1,805	-207	383	1,981	-1003	192	1,170
BRRS Reserve	843	0	0	843	-750	0	93
Community Housing Fund	938	-3	0	935	-96	0	839
Penrith Vision	0	0	100	100	-27	0	73
Appleby HAZ	0	0	84	84	-70	0	14
Custom, Brown field, Neighbourhood plans	0	0	61	61	-7	25	79
Transformation Reserve	0	0	0	0	0	500	500
Place Shaping Reserve	0	0	0	0	0	250	250
Energy Efficiency Reserve	0	0	0	0	0	100	100
Heat Networks Reserve	0	0	0	0	0	136	136
Signature Fund	0	0	0	0	0	290	290
Other earmarked reserves less than £20,000	29	-3	3	29	0	0	29
	<b>5,807</b>	<b>-1,211</b>	<b>1,070</b>	<b>5,666</b>	<b>-2,135</b>	<b>1,911</b>	<b>5,442</b>

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 2017/18 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 Heart of Cumbria equity purchase), 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, Brown field sites and Neighbourhood plans	Government funding to support planning activity around brownfield and custom build sites and Neighbourhood Plans.
Transformation Reserve	Set aside to support one off costs of service transformation as part of the One Eden programme
Place shaping reserve	Set aside to support one off costs of place shaping activity including, but not restricted to, supporting One Public Estate initiatives.
Heat Networks Reserve	Set aside grant funding provided for preparatory work into heat networks in the District
Energy Efficiency Reserve	Set aside grant funding provided for pilot studies to support implementation of domestic energy efficiency regulations.
Signature Fund	Set aside to fund the signature projects scheme; schemes led by Parish Councils for enhancing or acquiring community assets.



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**11. Other Operating Expenditure**

2017/18 £'000		2018/19 £'000
917	Parish Council Precepts	1,028
-189	Gain (-)/Loss on Disposal of Non-Current Assets	281
<b>728</b>	<b>Total</b>	<b>1,309</b>

**12. Financing and Investment Income and Expenditure**

2017/18 £'000		2018/19 £'000
3	Interest Payable and Similar Charges	1
303	Net Interest on the Pension Net Defined Liability	263
0	Anticipated Loss Allowance	31
0	FV changes on Financial Instruments (P&L)	-75
-354	Interest Receivable and Similar Income	-397
-1,209	Income and expenditure in relation to investment property and changes in fair value	-1,260
<b>-1,257</b>	<b>Total</b>	<b>-1,437</b>

**13. Taxation and Non-Specific Grant Incomes**

2017/18 £'000		2018/19 £'000
-4,747	Council Tax Income	-4,880
-1,116	Non-Domestic Rates Income (Local Share)	-1,254
-1,187	NNDR Top Up Grant	-1,507
-324	Revenue Support Grant	-87
-1,518	Non-Ring-Fenced Government Grants	-1,293
-217	Other	-227
<b>-9,109</b>	<b>Total</b>	<b>-9,248</b>

**14. Property, Plant and Equipment**

The table below sets out the transactions relating to Property, Plant and Equipment in 2018/19:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets Under Construction £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost/Valuation at 1.4.18</b>	<b>19,955</b>	<b>554</b>	<b>654</b>	<b>2,290</b>	<b>180</b>	<b>523</b>	<b>24,156</b>
Additions	0	114	118	23	0	0	255
Revaluations – Revaluation Reserve	91	0	0	0	0	195	286
Revaluations - Recognised in the cost of services	-296	0	0	0	0	0	-296
Disposals	0	0	0	-366	0	0	-366
Reclassification	722	0	-772	0	0	198	148
<b>Cost/ Valuation at 31.3.19</b>	<b>20,472</b>	<b>668</b>	<b>0</b>	<b>1,947</b>	<b>180</b>	<b>916</b>	<b>24,183</b>
<b>Accumulated Depreciation and Impairment 1.4.2018</b>	<b>-237</b>	<b>-503</b>	<b>0</b>	<b>-703</b>	<b>0</b>	<b>0</b>	<b>-1,443</b>
Depreciation charge	-373	-13	0	-111	0	0	-497
Impairment (losses)/ reversals recognised in CIES*	98	0	0	0	0	0	98
Impairment (losses)/ reversals recognised in revaluation Reserve*	189	0	0	0	0	0	189
Write out on disposal	0	0	0	40	0	0	40
<b>As at 31.3.19</b>	<b>-323</b>	<b>-516</b>	<b>0</b>	<b>-774</b>	<b>0</b>	<b>0</b>	<b>-1,613</b>
<b>Net Book Value 31.3.19</b>	<b>20,149</b>	<b>152</b>	<b>0</b>	<b>1,173</b>	<b>180</b>	<b>916</b>	<b>22,570</b>
<b>Net Book Value 31.3.18</b>	<b>19,718</b>	<b>51</b>	<b>654</b>	<b>1,587</b>	<b>180</b>	<b>523</b>	<b>22,713</b>

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

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Comparative movements in 2017/18 were:

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

All assets were owned as at 31 March 2018 and 31 March 2019. 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

A revaluation has been carried out by Walton Goodland in 2018/19, an independent firm of chartered surveyors. The Council operates a two year programme, with Leisure assets in year one and all other assets in year 2. All land and buildings have been revalued as at 31 March 2019 except for the Leisure assets which were revalued in full in 2017/18. Market information has been reviewed to provide assurance that the Leisure assets are still fairly stated as at 31 March 2019.

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 £'000	Vehicles, Plant and Equipment £'000	Assets Under Construction £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	0	152	0	1,173	180	0	1,505
Valued at current value at:	0	0	0	0	0	0	0
31-Mar-18	13,549	0	0	0	0	0	13,549
31-Mar-19	6,600	0	0	0	0	916	7,516
<b>Total</b>	<b>20,149</b>	<b>152</b>	<b>0</b>	<b>1,173</b>	<b>180</b>	<b>916</b>	<b>22,570</b>

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The major operational assets of the Council are as follows:

Number at 31 March 2018		Number at 31 March 2019
2	Administrative Buildings	2
4	Sports Centres/Swimming Pools	4
16	Car Parks	16
13	Public Conveniences	13
19	Parks and Areas of Open Space	19
6	Cemeteries	6
60		60

### 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 31/3/2019 £000	2017/18 Assessment	2018/19 Assessment	Valuation Technique	Inputs	Yields Applied	Highest and Best?
Numerous Development land parcels	888	Level 3	Level 3	Market	Rate/acre influenced by location, condition, size, planning restrictions	between £10 and £180k/acre	Yes
Car park land	28	Level 3	Level 3	Market	Income, yield influenced by local factors	Income discounted at 7%	Yes
<b>Total</b>	916						

## 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
<b>Cost or Valuation 1 April 2017</b>	<b>108</b>	<b>536</b>	<b>45</b>	<b>689</b>
Revaluations	0	94	0	94
Transfers	0	5	-5	0
<b>Cost or Valuation 31 March 2018</b>	<b>108</b>	<b>635</b>	<b>40</b>	<b>783</b>
Revaluations	0	0	3	3
Transfers	0	0	0	0
<b>Cost or Valuation 31 March 2019</b>	<b>108</b>	<b>635</b>	<b>43</b>	<b>786</b>

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 £27k. 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. The most significant piece of work in the collection is a work by Jacob Thompson entitled 'The Hope Beyond', valued at £160k.

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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 de-minimis 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:

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
978	Rental Income from Investment Property	989
-31	Direct Operating Expenses Arising from Investment Property	-24
<b>947</b>	<b>Net Gain/Loss (+/-)</b>	<b>965</b>

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 2019. The firm is independent, has recent knowledge of the local area and experience of this valuation work. The following table summarises the movement in the fair value of investment properties during the year.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
16,686	Balance at the start of the year	17,170
0	Disposals	0
222	Acquisitions	0
262	Net gain/loss from fair value adjustment	295
<b>17,170</b>		<b>17,465</b>

The most significant Investment Property is Penrith New Squares, which was valued at £14.9m at 31 March 2019. 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.

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**Fair Value Hierarchy**

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 are:

<b>Asset Type</b>	<b>NBV 31.3.19 £'000</b>	<b>Fair Value Hierarchy 31.2.18</b>	<b>Fair Value Hierarchy 31.3.19</b>	<b>Valuation Technique</b>	<b>Inputs</b>	<b>Yields</b>
Penrith New Squares	14,900	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	4.75% to 5.5%
Station Road Industrial Estate, Alston	427	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	8% to 12%
Gilwilly Industrial Estate, Penrith	1,118	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	6% to 8.5%
Office Units	476	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	8% to 10%
Retail Units	263	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions. Corney square was purchased in 2017/18 for £216k (level 2 valuation) and subsequently revalued in 18/19 (level 3) to £175k based on rental income and yield of 8%	8%
Appleby Heritage Centre	140	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	9%
Land	141	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	6% to 8%
<b>Total</b>	<b>17,465</b>					

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 Assistant 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 and changes to these judgements would have a significant impact on the valuations. Changes in fair value are charged/credited to financing and investment income and expenditure.

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## 17. Intangible Assets

Intangible Fixed Assets mainly comprise licences to use software. These are amortised to the Cost of Services (Resources) over their expected useful economic lives on a straight-line basis, ranging from five to 12 years. The Council has a further £80k of budget committed to the digital innovation project. A summary of spending and other movements during the year is shown below:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
368	Cost/Value 1 April	395
-196	Write out of fully utilised asset	0
223	Expenditure in Year	63
<b>395</b>	<b>Total</b>	<b>458</b>
-272	Accumulated Amortisation	-117
196	Write out of fully utilised asset	0
-41	Amortisation in Year	-32
<b>-117</b>	<b>Total Amortisation</b>	<b>-149</b>
<b>278</b>	<b>Net Book Value</b>	<b>309</b>

## 18. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. The 2017/18 comparators have been restated where this assists comparison with the 2018/19 figures.

Changes to the opening balances as at 1 April 2018 are all due to the implementation of IFRS 9. The following investments have been designated as Fair Value (Other Comprehensive Income):

	<b>Long Term</b>			<b>Current</b>		
	<b>2017/18</b>	<b>01/04/2018</b>	<b>31/03/2019</b>	<b>2017/18</b>	<b>01/04/2018</b>	<b>31/03/2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investments</b>						
Amortised cost	1,000	1,000	0	5,995	5,995	6,008
Fair Value (Other Comprehensive Income)	0	0	0	0	0	0
Designated Fair Value (Other Comprehensive Income)	0	0	1,026	0	0	0
Fair Value (Profit and Loss)	0	4,288	4,355	0	0	0
Available for Sale	4,288	0	0	0	0	0
<b>Total Investments</b>	<b>5,288</b>	<b>5,288</b>	<b>5,381</b>	<b>5,995</b>	<b>5,995</b>	<b>6,008</b>
<b>Cash and Cash Equivalents</b>						
Amortised cost	0	0	0	983	-161	-51
Available for Sale	0	0	0	3,644	0	0
Fair Value (Profit and Loss)	0	0	0	0	4,788	4,048
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,627</b>	<b>4,627</b>	<b>3,997</b>
<b>Debtors</b>						
Amortised cost	910	910	915	1,114	1,114	678
<b>Total Included in Debtors</b>	<b>910</b>	<b>910</b>	<b>915</b>	<b>1,114</b>	<b>1,114</b>	<b>678</b>
<b>Borrowings</b>						
Financial Liabilities at Amortised Cost	-28	-28	0	-55	-55	-28
<b>Total Included in Borrowings</b>	<b>-28</b>	<b>-28</b>	<b>0</b>	<b>-55</b>	<b>-55</b>	<b>-28</b>
<b>Creditors</b>						
Financial Liabilities at Amortised Cost	0	0	-156	-1,587	-1,587	-1,362
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-156</b>	<b>-1,587</b>	<b>-1,587</b>	<b>-1,362</b>

The balance of items designated as Fair Value through Other Comprehensive Income is made up of the Heart of Cumbria Equity investment £1,026k.

These investments are long term and strategic in nature and are not held for benefitting from the gains in capital value. All dividend income has come from the CCLA Property Fund. These are held at fair value so no loss allowance has been calculated or applied to these assets.

Money Market Funds and the CCLA Property Fund have been classified as at Fair Value through Profit and Loss on the basis that they don't meet the criteria for either amortised cost or Fair Value Other Comprehensive Income. A statutory provision has been made to remove any impact of capital changes on these assets from the General Fund. The cumulative movement in fair value, previously charged to the available for sale reserve, has been moved as an opening balance adjustment in the Pooled Investment Adjustment Account. See note 30 for details. Had these investment been accounted for under IFRS 9 prior to 2018/19, £510k would have been credited through the cost of provision of services.

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The impact of IFRS 9 has been to alter the accounting of some assets. However, the carrying values are unaltered with those at fair value still at fair value. The property fund valuation gains and money market fund changes now go through profit and loss.

£31k of impairment allowance was charged against assets held at amortised cost. The Council generally lends to a limited list of high quality counterparties on a short duration. The impairment allowances were immaterial for most investments held. The charge made relates to loans to local companies where there is no credit rating to establish a historic risk of default (£11k) and on the finance lease debtor (£20k). As these are capital items, there is no impact on the general fund from these charges. There were no loans in default as at 31 March 2019.

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:

<b>31-Mar-18</b>			<b>31-Mar-19</b>	
<b>Debtors</b>	<b>Creditors</b>		<b>Debtors</b>	<b>Creditors</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
		<b>Value as per note above</b>		
1,114	0	Short Term Debtors	678	0
910	0	Long Term Debtors	915	0
0	0	Long Term Creditors	0	-156
0	-83	Borrowings	0	-28
0	-1,587	Creditors	0	-1,362
2,577	-1,516	Non-Contractual Items	3,696	-1,397
<b>4,601</b>	<b>-3,186</b>		<b>5,289</b>	<b>-2,943</b>
		<b>Balance Sheet</b>		
0	-28	Long Term Borrowing	0	0
3,170	-3,103	Short Term Debtor/Creditor	3,873	-2,759
0	0	Long Term Creditors	0	-156
1,431	0	Long Term Debtor	1,416	0
0	-55	Borrowing Repayable in 12 Months	0	-28
<b>4,601</b>	<b>-3,186</b>	<b>Total as Per Balance Sheet</b>	<b>5,289</b>	<b>-2,943</b>

**Gains and Losses on Financial Instruments**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2018/19 in relation to financial instruments are made up as follows:

<b>Loans and Receivables</b>	<b>Available for Sale Assets Restated</b>		<b>Amortised cost*</b>	<b>Fair Value (designated OCI)</b>	<b>Fair Value (P&amp;L)</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
4	0	Interest Costs	1	0	0
23	0	Impairment Losses	31	0	0
0	0	Losses through Other Comprehensive Income	0	0	0
<b>27</b>	<b>0</b>	<b>Interest Payable and Similar Charges</b>	<b>32</b>	<b>0</b>	<b>0</b>
-133	-223	Interest/dividend Income	-120	0	-277
0	0	Gains through Profit and Loss	0	0	-75
0	-203	Gains through Other Comprehensive Income	0	-26	
<b>-133</b>	<b>-426</b>	<b>Interest and Investment Income</b>	<b>-120</b>	<b>-26</b>	<b>-352</b>
<b>-106</b>	<b>-426</b>	<b>Net Gain (-)/Loss for the Year</b>	<b>-88</b>	<b>-26</b>	<b>-352</b>

\*including amounts for the finance lease receivable

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### 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 2019 and 2018. 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 relate to loans to Enterprise Answers and Eden Housing Association (see Note 19, Enterprise Answers manages a £0.5m fund, 50% Council funded, for making loans to local businesses for growth and investment plans, where they have struggled to obtain credit from other lenders). These loans 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. The equity investment with Heart of Cumbria is judged to be level 3; the value is taken direct from the balance sheet of the company accounts, at the time of preparing these statements the information was not publicly available through Companies House; the value is also influenced by the properties held by the company with adjustments for the specific circumstances (affordable rental restriction); this relies to a significant extent on the expertise of a qualified valuer.

31-Mar-18		Financial Assets	31-Mar-19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
10,002	10,047	Amortised cost - primarily bank deposits and operational debtors	7,550	7,597
7,932	7,932	Fair value	9,429	9,429
<b>17,934</b>	<b>17,979</b>	<b>Total</b>	<b>16,979</b>	<b>17,026</b>

### 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-Mar-18		Financial Liabilities	31-Mar-19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
1,587	1,587	Held at cost - primarily operational creditors	-1,518	-1,518
83	84	Borrowings	-28	-28
<b>1,670</b>	<b>1,671</b>	<b>Total</b>	<b>-1,546</b>	<b>-1,546</b>

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 2019 and 2018.

### 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;



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**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 exposure to credit risk grouped by category and loss allowance recognised:

	<b>Balance at 31/3/2019 £000</b>	<b>Type</b>	<b>Loss Allowance</b>
AAA rated Money Market Funds	4,048	Variable	N/A held at FV
UK banks A or higher	2,011	Fixed	Not material
UK Building societies	1,000	Fixed	Matured by reporting date
Loans to Housing Associations	1,626	Mixed	Matured/secured, not material
Loans to Local Authorities	2,000	Fixed	Exempt as part of UK Gov
CCLA property fund	4,355	Variable	N/A held at FV
Subsidiary Equity and loans	1,076	Fixed	N/A mostly held at FV, loan not material as at 31/3/2019
Other loans	263	Variable	Lifetime expected loss of £11k charged in year
Debtors	651	Fixed	Net of existing £20k impairment allowance
<b>Treated as non-contractual:</b>			
Finance lease receivables	501	Fixed	Lifetime, £20k charged in year
	<u>17,531</u>		

Loss allowances are a new requirement under IFRS 9 and the balances above reflect the carrying values after the loss allowances have been applied. Impairment allowances are calculated in line with accounting policy A9. For rated counterparties, the historic loss data for the relevant credit rating of instrument has been used as the basis of the loss allowance, either on a short term or long term comparator (to represent the 12 month or lifetime risk of default), depending on changes to the risk profile of the instrument.

No rated instruments are judged to have had a significant change to their underlying credit risk of a default (non-payment of either interest or capital when contractually due, as a standard definition). Overall, this consistent with wider market activity where credit-rating activity has been relatively settled. This has been assessed through monitoring of credit ratings and the investment limits from the Council's treasury advisor, Arlingclose Limited. As the Council lends to a limited list of counterparties on a relatively short-term basis, the 12 month expected loss allowance was not material for any standard treasury investment. £20k was charged against the finance lease receivable to reflect the expected lifetime credits loss; although the counterparty has a strong credit history, the loss allowance reflects the risk inherent in a very long lease. £11k was charged against other loans to reflect the history of defaults to date, albeit no losses have occurred with all monies due recovered. A £20k allowance for credit losses on trade debtors already existed as at 31 March 2018 and review in year concluded this was still adequate, there had been £4k of writes offs against trade debtors in year which were charged back to the services.

**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 2009/10 to fund a capital scheme, as agreed by Council. All operational liabilities are due to be repaid within one year.

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**c. Market Risk**

The Council is only exposed to risk due to movements in interest rates on its investments. The table above indicates the pattern of fixed and variable rates, however, even where fixed term investments are normally used, as these generally of relatively short duration so provide little medium term protection against market fluctuation. In summary:

- An increase/decrease in interest rates may result in the fair value of borrowings and investments falling or rising; this will have little impact on the general fund due to opting of investments to FV-OCI and statutory over-rides on pooled funds
- 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. The overall rate of return on the cash/loans/MMF element of the fund was 0.88% (as set out in the Treasury Management Annual report 2018/19). These accounted for £180k of income so a rise of 1% in rates would approximately double the income. This is judged very unlikely given the current bank rate of 0.75% and commentary from the bank of England that any further rate rises will be moderate. The CCLA property fund accounted for £215k of income representing approximately 5.4% return an increase of 1% would vary this by £40k.

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 2018/19 there were no proposals to take out any new borrowing.

**d. Price Risk**

The Council only holds long term investments for strategic purposes including the CCLA Property Fund and the Heart of Cumbria Limited. The Heart of Cumbria equity has been opted as FV-OCI to mitigate the risk of price fluctuation. The CCLA property fund and Money Market funds are held at FV-P&L and subject to the statutory over-ride which defers the impact of value fluctuations on the general fund.

**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 2018/19.

Transactions during 2018/19 for long-term debtors were:

	<b>Loans to Eden Housing Association £'000</b>	<b>Finance Leases £'000</b>	<b>Loan - Business Support £'000</b>	<b>Loan - Leisure Contractor £'000</b>	<b>Loan - Heart of Cumbria £'000</b>	<b>Total £'000</b>
Balance at 1 April 2018	628	521	250	32	0	1,431
Advances made in 2018/19	0	0	0	0	50	50
Loss allowance charged	0	-20	-11	0	0	-31
Amount repaid in 2018/19	-26	0	0	-8	0	-34
<b>Balance at 31 March 2019</b>	<b>602</b>	<b>501</b>	<b>239</b>	<b>24</b>	<b>50</b>	<b>1,416</b>

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## 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 2019, 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:

<b>Restated 31-Mar-18 £'000</b>		<b>31-Mar-19 £'000</b>
1,680	Local Taxation	1,937
223	Housing benefits/subsidy	760
714	Other	495
190	Payment in advance	329
363	Government	352
<b>3,170</b>		<b>3,873</b>

The classification has been restated to provide information in a format judged to be more in line with local priorities. Of the local taxation amounts, £144k related to the Council's share of Council Tax arrears and £349k related to the Council's share of NNDR arrears. Normal payment terms are for these to be paid within the financial billing year and so were over due. Within housing benefits, gross arrears of £543k related to overpayments. As there was no entitlement to these payments, these are effectively over-due.

## 21. Investments

At 31 March 2019, the Council held long term and short term investments, further details are:

### Long Term Investment

The Council invested in the CCLA Property Fund during 2013/14 (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 reversed to the Pooled Investments Adjustment Account. If the investment is redeemed, then there is a fee of 7% of the value at the time of sale applicable. In 2016/17, the Council invested £1m in Network Housing Group Limited for a period of three years. This was reclassified to short term investments as at 31 March 2019 as it was due to mature within 1 year of the balance sheet date. In addition, the Council invested £1m in its subsidiary company, the Heart of Cumbria Limited. This has been elected to be held at fair value through other comprehensive income (FV-OCI) with any change in value held within the Financial Instruments Revaluation Reserve. This is also a long-term investment. The following table shows the movement in the investments.

<b>31-Mar-18 £'000</b>		<b>31-Mar-19 £'000</b>
4,094	<b>CCLA Property Fund</b>	4,288
194	Fund Valuation at 1 April	67
<b>4,288</b>	Add/(deduct) fund growth/reduction to 31 March	<b>4,355</b>
1,000	<b>Fund valuation at 31 March</b>	0
0	Network Housing Group Limited	1,000
0	Heart of Cumbria Equity	26
<b>5,288</b>	Increase in value of equity investment	<b>5,381</b>
53	<b>Total Long Term Investments</b>	54
	Dividend Receivable (CCLA) at 31 March	

### 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.

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**22. Cash and Cash Equivalents**

The actual bank balance at 31 March 2019 was £60,104 (£62,856 at 31 March 2018). This is adjusted for items that have gone through the Council's accounts prior to 31 March 2019, 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:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
1	Cash Held by the Council	1
-168	Bank Current Accounts	-55
4,794	Short Term Deposits with Third Parties	4,051
<b>4,627</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,997</b>

**23. Assets Held for Sale**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
515	Balance at 1 April	541
0	Reclassified as surplus assets	-148
	Assets newly classified as held for sale:	
351	Property, Plant and Equipment	0
0	Revaluation	5
-325	Assets Sold	0
<b>541</b>	<b>Balance at 31 March</b>	<b>398</b>

**24. Short Term Creditors**

All payments made for goods and services received on or before 31 March 2019 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 2019. Significant creditors unpaid at the expiration of the two weeks are included in the accounts on an estimated basis. An analysis is shown below:

<b>Restated</b>		<b>31-Mar-19</b>
<b>31-Mar-18</b>		<b>£'000</b>
<b>£'000</b>		
-166	Local Taxation	-273
-110	Housing benefits/subsidy	0
-1,664	Other	-929
-411	Receipt in advance	-470
-752	Government	-1,087
<b>-3,103</b>		<b>-2,759</b>

The classification has been restated to provide information in a format judged to be more in line with local priorities.

**25. Provisions**

	<b>Insurance Provision</b>	<b>NNDR Appeals Provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>19</b>	<b>390</b>	<b>409</b>
Provisions made in 2018/19	0	63	<b>63</b>
Amounts used in 2018/19	0	-265	<b>-265</b>
<b>Balance at 31 March 2019</b>	<b>19</b>	<b>188</b>	<b>207</b>

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The Council has one provision relating to Municipal Mutual Insurance Limited outstanding and a provision for outstanding NNDR appeals as at 31 March 2019:

- A provision of £19k for claims liability from Municipal Mutual Insurance Limited, this is consistent with the potential out-standing liability; and
- A provision of £188k for its portion of outstanding NNDR valuation appeals; required under accounting rules in relation to the Business Rates Retention Scheme. The reduction from the prior year is mainly due to a small number of large items which were included in the provision as at 31 March 2018; these related to known RV reductions which have been agreed but where the cases had not been processed through the system.

## 26. Borrowing

No new borrowing was undertaken in 2018/19. In May 2009, £550k was borrowed from the Public Works Loans Board, repayable over ten years. At 31 March 2019, £27,500 was outstanding on this loan, £27,500 of which was due within one year. The maturity profile for this loan is:

31 March 2018 £'000		31 March 2019 £'000
	Maturing within:	
55	One year	28
28	Over one year	0
<b>83</b>		<b>28</b>

## 27. Trust Funds

The Council acts as trustee for eleven 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 2019 was £37k (2017/18: £37k). 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-Mar-18 £'000		31-Mar-19 £'000
8,338	General Fund Balance	7,574
5,666	Earmarked Reserves	5,442
1,357	Capital Receipts Reserve	1,296
407	Capital Grants Unapplied	662
<b>15,768</b>	<b>Total Usable Reserves</b>	<b>14,974</b>

## 29. Usable Capital Reserves

Capital Receipts Reserve

2017/18 £'000		2018/19 £'000
1,324	Balance at 1 April	1,357
514	Receipts from disposal of non-current assets	46
-489	Receipts used to fund capital spending	-141
8	Deferred capital receipts arising	34
<b>1,357</b>	<b>Balance at 31 March</b>	<b>1,296</b>

Capital Grants Unapplied

2017/18 £'000		2018/19 £'000
249	Balance at 1 April	407
394	Capital Grant Receipts	624
-236	Grants used to fund capital spending	-369
<b>407</b>	<b>Balance at 31 March</b>	<b>662</b>

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**30. Unusable Reserves**

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
-7,840	Revaluation Reserve	-5,937
-34,241	Capital Adjustment Account	-37,154
-7	Financial Instruments Adjustment Account	-7
-510	Available for Sale Financial Instruments Reserve	0
0	Financial Instruments Revaluation Reserve	-26
0	Pooled Investment Fund Adjustment Account	-586
9,636	Pensions Reserve	11,611
-521	Deferred Capital Receipts	-501
404	Collection Fund Adjustment Account	48
70	Accumulated Absence Account	70
<b>-33,009</b>	<b>Total Unusable Reserves</b>	<b>-32,482</b>

**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.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
-6,148	<b>Balance at 1 April</b>	-7,840
-2,138	Upward revaluation of assets	-602
46	Downward revaluation of assets and impairment losses not charged to surplus/ deficit on provision of services	122
71	Difference between fair value depreciation and historical cost depreciation	116
329	Accumulated gains on assets sold or scrapped	0
0	Historic balance adjustment	2,267
<b>-7,840</b>	<b>Balance at 31 March</b>	<b>-5,937</b>

**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. The Capital Adjustment Account is credited with any capital financing.

A historic review of the treatment of revaluations was undertaken in year which resulted in a £2.3m transfer from the Revaluation Reserve to the CAA. This mainly reflected large revaluations down through the I&E in 2009/10 on leisure assets. Subsequent revaluations had been taken through the revaluation reserve rather than back through the I&E. There was no material impact on prior year revenue transactions or the balance sheet so these have not been restated. The only impact is on the non-usable reserve balances as set out above and in the revaluation reserve note.

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The Capital Adjustment Account contains accumulated gains and losses on investment properties and revaluation gains accumulated on Property, Plant and Equipment from before the revaluation reserve. Note 9 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

2017/18 £'000		2018/19 £'000
-32,274	<b>Balance at 1 April</b>	-34,241
0	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
445	Depreciation and impairment of non-current assets	692
41	Amortisation of intangible assets	32
289	Revenue expenditure funded from capital under statute	369
325	Amounts on Non-Current Assets Written Off on Disposal as Part of Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	327
-400	Adjusting amount written off of revaluation reserve	-2,382
0	<b>Capital financing applied in the year</b>	0
-489	Use of capital receipts reserve to finance capital expenditure	-141
-236	Capital grants credited to the Comprehensive Income and Expenditure Statement applied to capital financing	-369
-12	Statutory provision for the financing of capital investment charged to the General Fund	-12
-1,676	Capital expenditure charged against the General Fund Balance	-1,178
-262	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-295
8	Loans repaid in year and loss allowances charged	44
<b>-34,241</b>	<b>Balance at 31 March</b>	<b>-37,154</b>

**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.

2017/18 £'000		2018/19 £'000
-7	<b>Balance at 1 April</b>	-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
<b>-7</b>	<b>Balance at 31 March</b>	<b>-7</b>

**Available-for-Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contained 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. This has been replaced under IFRS 9, with the balances redistributed to the Financial Instruments Revaluation Reserve and the Pooled Investment Adjustment Account.

2017/18 £'000		2018/19 £'000
-307	<b>Balance at 1 April</b>	-510
	<b>Opening balance adjustment</b>	510
-203	Upward/ (-)Downward revaluation of investments	0
<b>-510</b>	<b>Balance at 31 March</b>	<b>0</b>

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**Financial Instruments Revaluation Reserve**

This reserve contains the fair value movements for financial instruments held as Fair Value through Other Comprehensive Income and Expenditure (FV-OCI). This includes the Council's equity investment in the Heart of Cumbria Limited.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
0	<b>Balance at 1 April</b>	0
0	<b>Opening balance adjustment</b>	0
0	Upward/downward (-/+) revaluation of investments	-26
<b>0</b>	<b>Balance at 31 March</b>	<b>-26</b>

**Pooled Investment Adjustment Account**

This reserve holds the fair value changes for pooled investment funds that are accounted for as Fair Value through Profit and Loss (FV-P&L), including the CCLA Property Fund. These would normally be revenues within the general fund, a time limited statutory over-ride is in place which means that changes in the fair value of these instruments does not impact on the general fund until the instrument is de-recognised.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
0	<b>Balance at 1 April</b>	0
0	<b>Opening balance adjustment</b>	-510
0	Upward/downward (-/+) revaluation of investments	-76
<b>0</b>	<b>Balance at 31 March</b>	<b>-586</b>

**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.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
11,579	<b>Balance at 1 April</b>	9,636
-2,867	Remeasurements of the net defined benefit liability	1,129
1,670	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	1,648
-746	Employer's pension contributions and direct payments to pensioners payable in the year	-802
<b>9,636</b>	<b>Balance at 31 March</b>	<b>11,611</b>

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



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### 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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
-521	<b>Balance at 1 April</b>	<b>-521</b>
0	Loss Allowance charged against deferred capital receipts	<u>20</u>
<b>-521</b>	<b>Balance at 31 March</b>	<b><u>-501</u></b>

### 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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
1,153	<b>Balance at 1 April</b>	404
-749	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	<u>-356</u>
<b>404</b>	<b>Balance at 31 March</b>	<b><u>48</u></b>

### 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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
34	<b>Balance at 1 April</b>	70
-34	Settlement or cancellation of accrual made at the end of the preceding year	<u>-70</u>
70	Amounts accrued at the end of the current year	70
36	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	<u>0</u>
<b>70</b>	<b>Balance at 31 March</b>	<b><u>70</u></b>

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

The Cash Flow Statement for 2018/19 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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
<b>1,155</b>	Surplus / (-) Deficit on the Provision of Services	<b>-698</b>
	<b>Adjustments to the net surplus or deficit on the provision of services for non-cash movements</b>	
485	Depreciation, Amortisation and Impairment Charges	724
924	Pension Costs	846
0	Impairment Allowance on Financial Instruments	31
325	Carrying amount of non-current assets disposed of	327
178	Transfers to/from (-) provisions	-202
68	Decrease (-) / increase in inventories and debtors	-710
-158	Decrease/increase (-) in creditors	205
0	Movement in fair value of financial instruments	-75
-262	Movement in fair value of investment property	-295
<b>1,560</b>		<b>851</b>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
-394	Capital grants receivable	-624
-514	Proceeds from sale of property, plant and equipment, investment property and intangible assets	-46
<b>1,807</b>	<b>Net cash flow from operating activities</b>	<b>-517</b>

**32. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
340	Interest and dividends received	378
-3	Interest paid	-2

**33. Cash Flow Statement – Investing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
-1,002	Purchase of property, plant and equipment investment property and intangible assets	-795
0	Purchase of subsidiary undertaking	-1,000
-16,325	Purchase of short and long term investments	-7,000
-628	Long term loans granted	-50
514	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	46
16,325	Proceeds from short and long term investments	8,000
327	Other receipts from investing activities	818
<b>-789</b>		<b>19</b>

**34. Cash Flow Statement – Financing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
973	Other receipts from financing activities	0
-55	Repayment of short and long term borrowing	-55
0	Other payments for financing activities	-77
<b>918</b>	<b>Net cash flows from financing activities</b>	<b>-132</b>

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The main change in relation to financing activities is linked to the collection fund agency adjustments which are presented in the 'other receipts' and 'other payments' lines. The deficit on the collection fund (see collection fund statement) improved significantly over the period reducing the amounts due from preceptors for their shares of the deficit on the fund.

**35. Expenditure and Income Analysed by Nature**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
	<b>Income</b>	
-4,524	Fees, Charges and Other Service Income	-4,075
-189	Surplus on disposal of fixed assets	0
-1,563	Interest and Investment Income	-1,732
-4,747	Income from Council Tax	-4,880
-20,367	Government Grants and Contributions	-20,757
<b>-31,390</b>	<b>Total Income</b>	<b>-31,444</b>
	<b>Expenditure</b>	
5,907	Employee Expenses	6,266
0	Loss on disposal of fixed assets	281
16,205	Other Service Expenses	16,902
485	Depreciation, Amortisation and Impairment	724
306	Interest Payable	295
7,332	Tariff, Precepts and Levies	7,674
<b>30,235</b>	<b>Total Operating Costs</b>	<b>32,142</b>
<b>-1,155</b>	<b>Surplus/ Deficit on Service Provision</b>	<b>698</b>

The following transactions relate to external receipts:

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
<b>Customer Receipts</b>		<b>Customer Receipts</b>
-13	Commercial Services Portfolio	-12
-21	Communities Portfolio	-31
-691	Eden Development Portfolio	-393
-434	Housing and Health Portfolio	-258
-22	Leader Portfolio	-14
-1,953	Resources Portfolio	-1,979
-754	Services Portfolio	-655
<b>-3,888</b>		<b>-3,342</b>

The presentation of data relating to recharges in 2017/18 has been removed to reflect that from 2018/19. Charges between internal segments no longer take place and this was corrected as a prior year adjustment in the CIES.

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**Contracts with service recipients**

A review of income streams was performed to assist with implementing IFRS 15, income from contracts with customers. Much of the Council's income is outside the scope of IFRS 15 being non-exchange transactions such as grants or local taxation. A summary of the other income from third parties is presented below:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Licensing and environmental health	-193	-211
Cemeteries	-123	-104
Development Control	-691	-393
Building Regulations	-256	-124
Land Charges	-95	-89
Parking	-335	-337
Leisure and culture	-39	-49
Rentals	-1,021	-1,027
Treasury income	-354	-397
Housing contributions	-390	-192
Movement in Fair value of Investments	-262	-295
Other	-129	-124
	<b>-3,888</b>	<b>-3,342</b>

As can be seen most of the income is linked to services which are delivered through time (e.g. rentals and car parking) so are recognised on a simple accruals basis or are outside the scope of IFRS 15 (treasury, movement in fair values and Housing Contributions under S106 agreements). The remainder are largely related to services delivered at a point in time where there is little delay between payment and delivery of the service (e.g. land charges, cemeteries leisure and culture) or where impact of delay or timing on income recognition was judged to be not material (various licenses).

The review of income recognition under IFRS 15 found that the main area of risk was around recognition of income in advance where performance obligations had not yet been met, and specifically in relation to Building Control and Planning application fees. For both these statutory services, applicants pay up front. Although these are statutory services, it was judged reasonable that the determination of planning application or conclusion of a site inspection could be treated as a performance obligation under an implied contract with a service user.

For planning most applications are determined within a 13-week window so there will be a significant element where payment is received but the determination is not made in year. Effectively, these have all been de-recognised from in year income.

For building control, there are stages of performance obligation as there will be multiple site inspection visits for any given project. Given the timescales for building projects, there are a significant number of projects where payment has been made but where a completion notice had not been issued as at 31 March 2019. An estimate of the outstanding performance obligation was derived based on the length of time an application had been open compared to the average time from commencement to completion from the population of completed jobs. This was then de-recognised from the income received in year.

The impact of introducing IFRS 15 compared to had it not been implemented has been to:

- reduce the income recognised in the Eden Development Portfolio for Development Control by £86k for planning income
- reduce the income in the Services Portfolio by £131k relating to Building Control inspection fees.

The cash has been received for these so these are presented as income in advance on the Council's balance sheet. It is estimated that had IFRS 15 been retrospectively applied, similar adjustments would have been made to the closing balances for 2017/18. The only other individually significant accrual relating to customer income relates to rentals for New Squares where part of the income is paid in advance. As at 31 March 2019 there were receipts in advance of £135k (31 March 2018: £135k).

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The most significant impairment of income amounts relates to statutory items outside of the scope of IFRS 15. An allowance for credit losses on debts of £20k was applied to general debtor balances. This had not changed from when it was reviewed at 31 March 2018 so there was no net charge to the CIES in year.

### **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 2018/19, there was some expenditure relating to non-district elections; 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 (£59k).

### **37. Members' Allowances**

The total cost of payments to Members during the year was £212k (2017/18: £206k). This was made up as follows.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
191	Allowances	196
8	Car mileage	9
7	IT expense allowance	7
<b>206</b>		<b>212</b>

### **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 £50k. For the purpose of disclosure, senior employees are defined by the Council as Director level and above.

<b>Post Title</b>	<b>Year</b>	<b>Salary*</b>	<b>Expenses and Allowances*</b>	<b>Exit package</b>	<b>Total Remuneration Excluding Pension Contributions</b>	<b>ERS Pension Cont**</b>	<b>Total Remuneration Including Pension</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive*****	2018/19	80,325	514	0	80,839	13,173	94,012
Director of Corporate Services***	2018/19	72,638	346	0	72,984	12,290	85,274
Director of Finance****	2018/19	57,809	182	67,640	125,631	9,481	135,112
Assistant Director Commissioning & Technical Services*****	2018/19	52,704	0	0	52,704	8,643	61,347
Assistant Director Community Services*****	2018/19	52,704	0	0	52,704	8,643	61,347

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Post Title	Year	Salary <sup>+</sup> £	Expenses and Allowances* £	Total Remuneration Excluding Pension Contributions £	Pension Contributions** £	Total Remuneration Including Pension £
Deputy Chief Executive***	2017/18	75,051	315	75,366	11,869	87,235
Director of Finance****	2017/18	62,310	455	62,765	10,219	72,984
Deputy Director Technical Services*****	2017/18	51,161	0	51,161	8,390	59,551
Deputy Director Environmental Services*****	2017/18	51,775	0	51,775	8,491	60,266

+ Including honoraria where applicable. This includes £768 paid to the Director of Corporate Services for Election/Returning Officer duties (2017/18: £7,428).

\* 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 post of Deputy Chief Executive was removed from the management structure on 15 February 2019, the post holder transferred to the new post of Director of Corporate Services from that date.

\*\*\*\* The post of Director of Finance was removed from the management structure on 15 February 2019.

\*\*\*\*\* Job titles changed as part of the senior management restructure from 15 February 2019

\*\*\*\*\* Full time Chief Executive appointed from 1 July 2018.

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

The Council is required to show the numbers of employees whose remuneration exceeded £50k 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 was one non-senior officer whose total remuneration exceeded £50k as a result of an exit agreement in year. This would have added one additional officer into the £70k to £75k band.

**c. Chief Executive**

The post of Chief Executive was filled under a contract for services with Enterprise Prospects Limited up to May 2018. Payments to this company totalled £19k for 2018/19 (£95k: 2017/18). As the Chief Executive was not an employee of the Council under this arrangement, payments were not included in item a or item b above. From July 2018 there has been a full time Chief Executive who is a Council employee. Payments relating to that post have been included in the disclosures above.

**d. Exit Packages**

There were 4 termination payments agreed in 2018/19 with a total value of £126k. There were a mixture of reasons and amounts including those already disclosed in the senior officer note above. To prevent identification of any single one of the other 3 agreements, no further disaggregation is disclosed.

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**39. External Audit Fees**

In 2018/19, the Council incurred the following fees from the appointed auditor (Grant Thornton UK LLP 2018/19):

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
42	Fees payable in respect of audit services for current year	36
11	Additional fees payable in respect of prior year	0
9	Certification of Housing Benefit Subsidy claim	0
0	Additional fees for prior year Housing Benefit Subsidy	2
-6	Rebate from Public Sector Audit Appointments	0
<b>56</b>		<b>38</b>

The Housing Benefits grant certification work will be performed by Mazars LLP for 2018/19. The amount of £36k includes an additional £3.5k on top of the initially agreed scale fee to reflect the extra work required around group accounts.

**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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
	<b>Credited to Services</b>	
394	Better Care Fund: Disabled Facilities Grants	553
81	Better Care Fund: other	0
44	Council Tax Benefit Administration Subsidy	42
16	Council Tax Reduction - Flooding	0
105	Housing Benefit Administration Subsidy	96
8,151	Housing Benefit Subsidy	8,046
0	Brexit funding	17
31	Housing Benefit Atlas Grant	41
125	Discretionary Housing Payments	166
12	Universal Credit	12
38	Business rates S31 grant	0
12	Business rates new burdens	13
55	Homelessness Grant	61
35	Domestic abuse support	55
31	Electoral Registration	0
150	Heritage grants	67
100	Penrith Vision planning grant	150
20	Neighbourhood Planning Grant	0
51	Self and custom build planning grant	30
0	Energy Efficiency Grant	100
0	Generic housing grant funding	58
20	Museum 'ready to borrow' grant	10
13	Food and Farming Enterprise	0
0	Bolton play area funding	72
0	Route 66 contribution	23
50	Heat Network Funding	86
56	Other Grants and contributions	45
<b>9,590</b>	<b>Total Grants</b>	<b>9,743</b>

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. Within the Heritage Grants amount of £67k is a specific contribution from Historic England of £29,721 for the Appleby HAZ. The 2018/19 allocation was fully spent.

#### 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 2018/19, no works and services (2017/18: £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 at the start of the year with one resignation during the period. 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 January 2012 to May 2018, 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 then Deputy Chief Executive oversaw the agreement. Dr Hooper is a Director of Enterprise Prospects Limited. See Note 38c for further details.

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

Income £000	Exp £000	Dr/Cr (+/-) Restated £000		Income £000	Exp £000	Dr/Cr (+/-) £000
			<b>Central Government</b>			
-1,187	0	244	NNDR Section 31 Grants	-1,507	0	251
0	6,415	-38	NNDR Tariff	0	6,645	0
-1,842	0	0	Revenue Support Grant and other non-ring-fenced grant	-1,380	0	0
-16	0	-61	Council Tax Discounts Grant - Flooding	-4	0	-131
-8,151	0	-110	Housing Benefit Subsidy	-8,047	0	509
-44	0	0	Council Tax Reduction Administration Subsidy	-42	0	0
-105	0	0	Housing Benefit Administration Subsidy	-96	0	0
-394	0	0	Capital Grants	-553	0	0
0	8,922	197	NNDR Precept	0	10,151	-73
			<b>Precepting Authorities</b>			
0	26,204	651	Cumbria County Council Council Tax	0	27,262	956
0	1,784	39	Cumbria County Council NNDR	0	2,030	-14
0	4,518	112	Cumbria Police & Crime Commissioner Council Tax	0	4,763	167
			<b>Other:</b>			
0	746	-77	Employer Superannuation	0	802	-80
-647	0	79	Recycling Credits	632		49
-217	0	0	Second Homes Council Tax grant	227	0	0
-22	33	22	Heart of Cumbria	14	33	16
<b>-12,625</b>	<b>48,622</b>	<b>1,058</b>		<b>-10,756</b>	<b>51,686</b>	<b>1,650</b>



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**42. Capital Expenditure and Capital Financing**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
390	Opening Capital Financing Requirement	378
	Opening balance adjustment	-41
	<b>Capital Investment in Year:</b>	
1,015	Property, Plant and Equipment	256
222	Investment Properties	0
223	Intangible Assets	64
652	Long Term Debtors (capital loans)	50
0	Equity	1,000
289	Revenue Spending funded from Capital Under Statute	369
<b>2,401</b>		<b>1,739</b>
	<b>Financed by:</b>	
417	Repairs and Renewals Fund	178
1,259	Revenue Contribution	1,000
489	Capital Receipts	141
236	Capital Grants	370
12	Minimum Revenue Provision	12
<b>378</b>	Closing Capital Financing Requirement	<b>375</b>
	<b>Explanation of Movements in Year</b>	
0	Opening balance adjustment	-41
-12	Increase/Decrease (+/-) in underlying need to borrow (unsupported by Government financial assistance)	38
<b>-12</b>	Increase/Decrease (+/-) in Capital Financing Requirement	<b>-3</b>

The Capital Financing Requirement is a key element of the capital controls and the Council's capacity to borrow. This should be derived direct from the balance sheet, being the net of all capital assets less the unusable capital reserves to give a net element of capital expenditure which has not been financed. An in year review found that an adjustment had been made to the CFR reported as part of the IFRS conversion, relating to finance leases. There is judged to be no ongoing basis for the adjustment and so the CFR figure has been corrected in year to align it back with the balance sheet.

**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 (MRP) for the redemption of external debt based on what the Council judges to be prudent. The amount chargeable to the Comprehensive Income and Expenditure Statement in 2018/19 was £12k (2017/18: £12k).

**44. Leases**

**Authority as Lessor**

**Finance Leases**

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 121 years remaining at 31 March 2019. 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.

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The gross investment is made up of the following amounts:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
	Finance lease debtor (net present value of minimum lease payments):	
0	Current	0
521	Non-Current (Long Term Debtor)	501
2,041	Unearned finance income	2,020
315	Unguaranteed residual value of property	315
<b>2,877</b>	Gross investment in the lease	<b>2,836</b>

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31-Mar-18</b>	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	2,772	2,731	1,936	1,915
	<b>2,877</b>	<b>2,836</b>	<b>2,041</b>	<b>2,020</b>

Under IFRS 9, the Council has to charge an expected loss allowance against finance lease receivable assets and can opt for a simplified method based on expected lifetime credit losses. Any losses are limited, as default on the lease would mean that the Council retains the asset. However, the length of the lease has an additional value. It was judged that a £20k allowance should be made for potential lifetime losses. This is not charged to the general fund but reduces the long-term debtor and matching deferred capital receipt balance.

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 2018/19, no contingent rents were receivable by the Authority (2017/18: £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:

<b>Restated</b>		<b>31-Mar-19</b>
<b>31-Mar-18</b>		<b>£'000</b>
<b>£'000</b>		
1,010	Not later than one year	1,020
3,751	Later than one year and not later than five years	3,815
114,787	Later than five years	114,594
<b>119,548</b>		<b>119,429</b>

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 2018/19, no contingent rents were receivable by the Council (2017/18: £0). The future minimum lease payments as at 31 March 2019 include £115.6m relating to the lease of the Penrith New Squares Scheme. The note has been restated to remove from the minimum lease payments assumptions about future rent increases linked to inflation.

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**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 2018/19:

2017/18 £'000		2018/19 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	Net Cost of Services:	
1,367	Current Service Cost	1,385
0	Past Service Cost	0
	Financing and Investment Income and Expenditure:	
303	Net Interest Cost (including cost of administration)	263
<b>1,670</b>	Net Charge to the Provision of Services	<b>1,648</b>
	Other Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
0	Experience Gain/Loss on liabilities	0
-679	Remeasurement of Assets	-1,970
-2,188	Loss /(-)Gain on Financial Assumptions	3,099
0	Loss /(-)Gain on Demographic Assumptions	0
<b>-2,867</b>	Total Benefits Charged to the Comprehensive Income and Expenditure Statement	<b>1,129</b>
	<b>Movement in Reserves Statement</b>	
-1,670	Reverse charges made for retirement benefits re IAS 19	-1,648
	<b>Amounts charged against General Fund for Pensions</b>	
<b>746</b>	Employer's Contributions payable	<b>802</b>

**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:

2017/18 £'000		2018/19 £'000
-59,876	Present Value of Defined Benefit Obligation	-64,585
50,240	Fair Value of Plan Assets	52,974
<b>-9,636</b>	Net Liability	<b>-11,611</b>

**Assets and Liabilities in Relation to Retirement Benefits**

Overall, 2018/19 has been relatively stable, a review of the underlying assumptions (see below) shows that the discount rate has decreased by 0.2% with the rate of general inflation, wage growth and pension growth all slightly increased. The impact on the present value of the scheme liabilities and assets is presented below:

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**Scheme Liabilities:**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
-60,316	1st April	-59,876
-1,367	Current Service Cost	-1,385
-1,494	Interest on Scheme Liabilities	-1,539
-249	Employee Contributions	-273
0	Past service cost	0
	<b>Remeasurements:</b>	
0	Gain/Loss (-) on Experience	0
2,188	Gain/Loss (-) on Financial Assumptions	-3,099
0	Gain/Loss (-) on Demographic Assumptions	0
1,362	Benefits Paid	1587
<b>-59,876</b>	31 March	<b>-64,585</b>

**Scheme Assets:**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
48,737	1st April	50,240
1,214	Interest Income	1,301
679	Remeasurements	1970
-23	Administration Expenses	-25
746	Employer Contributions	802
249	Employee Contributions	273
-1,362	Benefits Paid	-1587
<b>50,240</b>	31 March	<b>52,974</b>

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:**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
	<b>Equities</b>	
6,381	UK quoted	4,981
10,751	Global quoted	11,442
553	UK equity pooled	530
7,285	Overseas equity pooled	7,469
0	Equity protection	689
	<b>Bonds</b>	
2,964	UK corporate bonds	3,231
151	Overseas corporate bonds	106
8,792	UK Government index pooled	9,482
	<b>Property</b>	
3,215	UK	3,337
1,457	Property funds	1,589
	<b>Alternatives</b>	
201	Healthcare Royalties	318
1,206	Private equity funds	1,536
3,215	Infrastructure funds	4,132
301	Real Estate Debt Fund	265
1,105	Private Debt Fund	1,271
	<b>Cash</b>	
2,663	Cash accounts	2,543
0	Net current assets	53
<b>50,240</b>	<b>Total</b>	<b>52,974</b>

**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:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
%	<b>Long Term Expected Rate of Return on Scheme Assets</b>	%
2.1	Rate of CPI inflation	2.2
3.6	Rate of increase in salaries	3.7
2.2	Rate of increase in pensions	2.3
2.6	Discount rate	2.4
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners:	
23.2	Male	23.3
25.8	Female	25.9
	Longevity at 65 for future pensioners:	
25.5	Male	25.6
28.5	Female	28.6

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.

	<b>Increase/decrease (+/-) in net liability £'000</b>
Central Projection	11,611
+1 year increase in life expectancy	1,264
0.1% increase in inflation	1,077
0.1% increase in salaries	143
0.1% increase in discount rate	-1,059

**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 last full valuation included the assumption that the deficit would be recovered over a 16-year period. Funding levels are monitored annually. A full actuarial valuation was undertaken in 2017 with new contribution rates being payable from 1 April 2018. The next actuarial variation is underway and will impact on the contribution rates from 1 April 2020. There is a risk that the rate will change.

The Council expects to pay £804k in employer contributions to the scheme in 2019/20 (£802k in 2018/19). The weighted average duration of the defined benefit obligation for scheme members is seventeen years.

**d. Other considerations**

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to guaranteed minimum pensions and potential age discrimination for certain public sector pension schemes. At the time of preparing the accounts, the Government had requested permission to appeal from the Supreme Court. On the 27<sup>th</sup> June 2019, this was denied.

Following this it was judged that, on balance, the criteria for recognising a liability at the balance sheet date had been met. The Council engaged the actuary to perform further work to establish the value of the additional liability relating to active members of the Eden element of the Cumbria Local Government

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Pension Scheme. This resulted in an estimated additional pension liability of £267k as at 31/3/2019. It was decided not to amend the accounts for this figure for the following reasons:

- IAS 19 amendments have no impact on the usable reserves of the Council;
- for this reason an amendment is unlikely to impact on decisions, made by readers of the accounts; and
- the amendment is well within the magnitude of volatility seen on the net pension liability from year to year, without the impact of the McCloud judgement.

#### **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 £850k.

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 £20k is payable by the local authority. The Government has indicated that if compensation on any asset exceeds £20k then the amount over £20k is paid by them. Following applications there are 10 parcels of land which have been accepted and remain current as Assets of Community Value as at 31 March 2019. The 10 parcels are:

1. Watermillock Village Hall
2. Centre 67, Appleby in Westmorland
3. Eden Vale Inn, Bolton
4. Horse and Farrier, Dacre
5. Dukes Head, Armathwaite
6. The Stagg Inn, Dufton
7. Edenside, Appleby in Westmorland
8. Clickham Inn, Blencowe
9. Library, Appleby in Westmorland
10. Herdwick Inn, Penruddock

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 £20k, the total compensation payment would be £200k. 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 £900k.

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**Collection Fund for the Year Ending 31 March 2019**

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.

2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000		2018/19 Business Rates £'000	2018/19 Council Tax £'000	2018/19 Total £'000	Notes
<b>Income</b>							
0	-34,996	-34,996	Income from Council Tax	0	-36,633	-36,633	1
-20,518	0	-20,518	Income Collectable from Business Ratepayers	-20,463	0	-20,463	3
-296	0	-296	Business Rates Transitional Protection Payment	-440	0	-440	
<b>-20,814</b>	<b>-34,996</b>	<b>-55,810</b>	<b>Total Income</b>	<b>-20,903</b>	<b>-36,633</b>	<b>-57,536</b>	
<b>Expenditure</b>							
<b>Precepts and Demands</b>							
0	4,754	4,754	Eden District Council	0	4,913	4,913	2
0	25,774	25,774	Cumbria County Council	0	27,130	27,130	2
0	4,442	4,442	Cumbria Police and Crime Commissioner	0	4,740	4,740	2
<b>Business Rates</b>							
10,436	0	10,436	Central Government	10,765	0	10,765	3
8,349	0	8,349	Eden District Council	8,612	0	8,612	3
2,087	0	2,087	Cumbria County Council	2,153	0	2,153	3
<b>Charges to Collection Fund</b>							
200	74	274	Write-Offs of Uncollectable Amounts	36	44	80	
-107	2	-105	Increase/ (-)Decrease in Provision for credit loss	19	60	79	
664	0	664	Increase/ (-)Decrease in Provision for Appeals	-502	0	-502	3
0	0	0	Renewable Energy Retention	20	0	20	
126	0	126	Cost of Collection Allowance	-1	0	-1	3
<b>21,755</b>	<b>35,046</b>	<b>56,801</b>	<b>Total Expenditure</b>	<b>21,102</b>	<b>36,887</b>	<b>57,989</b>	
<b>941</b>	<b>50</b>	<b>991</b>	<b>Surplus/Deficit (-/+) During the Year</b>	<b>199</b>	<b>254</b>	<b>453</b>	
<b>Share of PY surplus/deficit (-/+)</b>							
-1,514	0	-1,514	Central Government	-614	0	-614	
0	76	76	Cumbria Police and Crime Commissioner	0	23	23	
-1,211	78	-1,133	Eden District Council	-491	24	-467	
-303	430	127	Cumbria County Council	-123	132	9	
<b>-2,087</b>	<b>634</b>	<b>-1,453</b>	<b>Surplus/deficit (-/+) inc py adjustment</b>	<b>-1,029</b>	<b>433</b>	<b>-596</b>	
<b>2,930</b>	<b>-151</b>	<b>2,779</b>	<b>Surplus/Deficit (-/+) Brought Forward</b>	<b>843</b>	<b>483</b>	<b>1,326</b>	
<b>843</b>	<b>483</b>	<b>1,326</b>	<b>Surplus/Deficit (-/+) Carried Forward</b>	<b>-186</b>	<b>916</b>	<b>730</b>	

**Eden District Council  
Statement of Accounts 2018/19**

**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 20,365.64

The expenditure requirement of the Collection Fund (net of parish precepts and Special Expenses) of £3,884,746 is divided by the Tax Base to give the Band D tax of £190.75. 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 (£)	121.17	148.36	169.56	190.75	233.14	275.53	317.92	381.50
Band D equivalents	1,883.5	4294.8	4189.6	4252.4	3650.8	1407.1	613.6	73.8

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 £57.7m at 31 March 2019, compared with £57.6m at 31 March 2018. The NNDR multiplier for the year was 49.3p in the pound (47.9p in 2017/18). The multiplier is set nationally by the Government.

During 2018/19 MHCLG performed a retrospective reconciliation between NNDR3 returns and the surplus/deficit position on the NNDR collection fund. This found that the cost of collection allowance had been double charged in 2014/15. A correcting reversal has been made during 2018/19.

During 2017/18 circa £0.5m was charged against the appeals provision for agreed RV changes that had not been fully settled as at 31/3/2018. During 2018/19 these were settled reducing the income from business rates. The amounts set aside were released from the provision to offset this.

**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 2019. 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 surplus of £186k at 31 March 2019. Under the scheme, higher than anticipated BRRS income was shown in 2018/19. The scheme is operated to aim for no surplus or deficit so this is a significant improvement on the deficit brought forward of £843k.



# Eden District Council Group Accounts

## Note on basis of preparation for Group Accounts

The statements below are the aggregated accounts for Eden District Council and the Heart of Cumbria Limited. As a wholly owned subsidiary of the Council, the aggregation has been completed on a line-by-line basis with intra-group transactions removed.

The same accounting policies as set out in note A to the single entity statements have been applied. The main differences are driven by the balance sheet where the equity investment of £1.026m in the single entity statements has been replaced mainly with operational properties and a debtor for the deposit paid by the company to the developer, plus a small amount of cash and other accruals.

The main statements have been prepared plus those notes where it was judged that material differences existed from the single entity statements.

**Eden District Council**  
**Statement of Accounts 2018/19**

**Group Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council's group, 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	Usable Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 31.3.18</b>		<b>14,007</b>	<b>1,357</b>	<b>407</b>	<b>15,771</b>	<b>33,009</b>	<b>48,780</b>
Surplus/deficit on provision of services (accounting basis)		-676	0	0	-676	0	-676
Other Comprehensive Expenditure and Income		0	0	0	0	-623	-623
<b>Total Comprehensive Expenditure and Income</b>		<b>-676</b>	<b>0</b>	<b>0</b>	<b>-676</b>	<b>-623</b>	<b>-1,299</b>
Adjustments between accounting basis and funding basis under regulations	9	-290	-61	255	-96	96	0
<b>Increase/decrease in year</b>		<b>-966</b>	<b>-61</b>	<b>255</b>	<b>-772</b>	<b>-527</b>	<b>-1,299</b>
<b>Balance at 31.3.19</b>		<b>13,041</b>	<b>1,296</b>	<b>662</b>	<b>14,999</b>	<b>32,482</b>	<b>47,481</b>

Comparators:

	Note	Usable Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31.3.17</b>		<b>14,395</b>	<b>1,324</b>	<b>249</b>	<b>15,968</b>	<b>26,491</b>	<b>42,459</b>
Surplus/deficit on provision of services (accounting basis)		1,158	0	0	1,158	0	1,158
Other Comprehensive Expenditure and Income		0	0	0	0	5,163	5,163
<b>Total Comprehensive Expenditure and Income</b>		<b>1,158</b>	<b>0</b>	<b>0</b>	<b>1,158</b>	<b>5,163</b>	<b>6,321</b>
Adjustments between accounting basis and funding basis under regulations	9	-1,546	33	158	-1,355	1,355	0
<b>Increase/decrease in year</b>		<b>-388</b>	<b>33</b>	<b>158</b>	<b>-197</b>	<b>6,518</b>	<b>6,321</b>
<b>Balance at 31.3.18</b>		<b>14,007</b>	<b>1,357</b>	<b>407</b>	<b>15,771</b>	<b>33,009</b>	<b>48,780</b>

**Eden District Council  
Statement of Accounts 2018/19**

**Group Comprehensive Income and Expenditure Statement**

This Statement shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices for the Group, 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.

2017/18 Gross Expend £'000	2017/18 Gross Income £'000	2017/18 Net Expend £'000		2018/19 Gross Expend £'000	2018/19 Gross Income £'000	2018/19 Net Expend £'000
			<b>Expenditure on Services</b>			
908	-211	697	Commercial Services Portfolio	918	-100	818
628	-41	587	Communities Portfolio	842	-131	711
914	-863	51	Eden Development Portfolio	1,148	-577	571
1,627	-1,077	550	Housing and Health Portfolio	1,903	-1,191	712
765	2	767	Leader Portfolio	890	-34	856
12,500	-9,161	3,339	Resources Portfolio	12,789	-9,062	3,727
3,983	-1,494	2,489	Services Portfolio	3,984	-1,328	2,656
<b>21,325</b>	<b>-12,845</b>	<b>8,480</b>	<b>Cost of Services</b>	<b>22,474</b>	<b>-12,423</b>	<b>10,051</b>
<b>917</b>	<b>-189</b>	<b>728</b>	<b>Other Operating Expenditure</b>	<b>1,381</b>	<b>-72</b>	<b>1,309</b>
<b>1,551</b>	<b>-2,808</b>	<b>-1,257</b>	<b>Financing and Investment Income and Expenditure</b>	<b>1,621</b>	<b>-3,057</b>	<b>-1,436</b>
<b>6,415</b>	<b>-15,524</b>	<b>-9,109</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>6,646</b>	<b>-15,894</b>	<b>-9,248</b>
<b>30,208</b>	<b>-31,366</b>	<b>-1,158</b>	<b>Surplus/Deficit on the Provision of Services (-/+)</b>	<b>32,122</b>	<b>-31,446</b>	<b>676</b>
52	-2,144	-2,092	Surplus/Deficit on Revaluation of Non-Current Assets	0	-506	-506
0	-204	-204	Surplus on Revaluation of Financial Assets	0	0	0
36	-2,903	-2,867	Remeasurement of the Net Defined Benefit Liability	3,099	-1,970	1,129
<b>88</b>	<b>-5,251</b>	<b>-5,163</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>3,099</b>	<b>-2,476</b>	<b>623</b>
<b>30,296</b>	<b>-36,617</b>	<b>-6,321</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>35,221</b>	<b>-33,922</b>	<b>1,299</b>

**Eden District Council**  
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**Group Balance Sheet as at 31 March 2019**

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.

<b>31 March 18</b>		<b>31 March 19</b>	<b>Note</b>
<b>£'000</b>		<b>£'000</b>	
22,721	Property, Plant and Equipment	23,091	G1
783	Heritage Assets	786	
17,170	Investment Property	17,465	
278	Intangible Assets	309	
5,288	Long Term Investments	4,355	G2
1,431	Long Term Debtors	1,853	G3
<b>47,671</b>	<b>Total Long Term Assets</b>	<b>47,859</b>	
12	Inventories	14	
3,146	Short Term Debtors	3,940	G4
5,995	Short Term Investments	6,008	
4,652	Cash and Cash Equivalents	4,036	G5
541	Assets Held for Sale	398	
<b>14,346</b>	<b>Total Current Assets</b>	<b>14,396</b>	
-3,109	Short Term Creditors	-2,772	G6
-409	Provisions	-207	
-55	Short Term Borrowing	-28	
<b>-3,573</b>	<b>Total Current Liabilities</b>	<b>-3,007</b>	
-28	Long Term Borrowing	0	
0	Long term creditors	-156	
-9,636	Pension Liability	-11,611	
<b>-9,664</b>	<b>Total Long Term Liabilities</b>	<b>-11,767</b>	
<b>48,780</b>	<b>Net Assets</b>	<b>47,481</b>	
-15,771	Usable Reserves	-14,999	
-33,009	Unusable Reserves	-32,482	
<b>-48,780</b>	<b>Total Reserves</b>	<b>-47,481</b>	

**Eden District Council  
Statement of Accounts 2018/19**

**Group Cash Flow Statement**

The Group 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.

<b>2017/18</b>		<b>2018/19</b>	<b>Note</b>
<b>£'000</b>		<b>£'000</b>	
<b>1,158</b>	<b>Net Surplus or deficit (+/-) on Service Provision</b>	<b>-676</b>	
1,590	Adjust net surplus or deficit on the provision of services for non-cash movements	276	G8
-908	Adjust for items included in the new surplus or deficit on the provision of services that are investing and finance activity	-670	
<b>1,840</b>	<b>Net Cash Flow from Operating Activities</b>	<b>-1,070</b>	
-797	Net cash flows from investing activities	586	G9
918	Net cash flows from financing activities	-132	
<b>1,961</b>	<b>Net Increase/Decrease in Cash and Cash Equivalents</b>	<b>-616</b>	
2,691	Cash and cash equivalents at 1 April	4,652	
4,652	Cash and cash equivalents at 31 March	4,036	
<b>1,961</b>	<b>Net Increase/Decrease (+/-) in Cash and Cash Equivalents</b>	<b>-616</b>	

**Eden District Council  
Statement of Accounts 2018/19**

<b>Notes to the Group Accounts</b>	
Note G1	Property Plant and Equipment
Note G2	Long Term Investments
Note G3	Long Term Debtors
Note G4	Short Term Debtors
Note G5	Cash and Cash Equivalents
Note G6	Short Term Creditors
Note G7	Capital Expenditure and Financing
Note G8	Reconciliation of Income and Expenditure Deficit to Revenue Activities Net Cash Flow
Note G9	Cash Flow Statement – Investing Activities

**Eden District Council  
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**G1. Property, Plant and Equipment**

The table below sets out the transactions relating to Property, Plant and Equipment in 2018/19:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost/Valuation at 1.4.18</b>	<b>19,955</b>	<b>554</b>	<b>662</b>	<b>2,290</b>	<b>180</b>	<b>523</b>	<b>24,164</b>
Additions	483	114	118	23	0	0	738
Revaluations - Revaluation Reserve	121	0	0	0	0	195	316
Revaluations - Recognised in the cost of services	-296	0	0	0	0	0	-296
Disposals	0	0	0	-366	0	0	-366
Reclassification	730		-780		0	198	148
<b>Cost/Valuation at 31.3.19</b>	<b>20,993</b>	<b>668</b>	<b>0</b>	<b>1,947</b>	<b>180</b>	<b>916</b>	<b>24,704</b>
<b>Accumulated Depreciation and Impairment 1.4.2018</b>	<b>-237</b>	<b>-503</b>	<b>0</b>	<b>-703</b>	<b>0</b>	<b>0</b>	<b>-1,443</b>
Depreciation Charge	-373	-13		-111			-497
Write out on disposal	0	0	0	40	0	0	40
Impairment (Losses)/Reversals Recognised in CIES	98						98
Impairment (Losses)/Reversals Recognised in Revaluation Reserve*	189						189
<b>As at 31.3.19</b>	<b>-323</b>	<b>-516</b>	<b>0</b>	<b>-774</b>	<b>0</b>	<b>0</b>	<b>-1,613</b>
<b>Net Book Value 31.3.19</b>	<b>20,670</b>	<b>152</b>	<b>0</b>	<b>1,173</b>	<b>180</b>	<b>916</b>	<b>23,091</b>
<b>Net Book Value 31.3.18</b>	<b>19,718</b>	<b>51</b>	<b>662</b>	<b>1,587</b>	<b>180</b>	<b>523</b>	<b>22,721</b>

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

Comparative movements in 2017/18 were:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets Under Construction £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost/Valuation at 1.4.17</b>	<b>18,509</b>	<b>838</b>	<b>0</b>	<b>2,211</b>	<b>188</b>	<b>831</b>	<b>22,577</b>
Additions	262	20	662	79			1,023
Revaluations - Revaluation Reserve	1,184					35	1,219
Disposals		-304					-304
Transfers					-8	-343	-351
<b>Cost/Valuation at 31.3.18</b>	<b>19,955</b>	<b>554</b>	<b>662</b>	<b>2,290</b>	<b>180</b>	<b>523</b>	<b>24,164</b>
<b>Accumulated Depreciation and Impairment 1.4.17</b>	<b>-718</b>	<b>-768</b>		<b>-595</b>	<b>0</b>	<b>0</b>	<b>-2,081</b>
Depreciation Charge	-298	-39		-108			-445
Impairment (Losses)/Reversals Recognised in Cost of Services							0
Impairment (losses)/reversals recognised in revaluation Reserve	779						779
Disposal		304					304
<b>As at 31.3.18</b>	<b>-237</b>	<b>-503</b>	<b>0</b>	<b>-703</b>	<b>0</b>	<b>0</b>	<b>-1,443</b>
<b>Net Book Value 31.3.18</b>	<b>19,718</b>	<b>51</b>	<b>662</b>	<b>1,587</b>	<b>180</b>	<b>523</b>	<b>22,721</b>
<b>Net Book Value 31.3.17</b>	<b>17,791</b>	<b>70</b>	<b>70</b>	<b>1,616</b>	<b>188</b>	<b>831</b>	<b>20,496</b>

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A revaluation has been carried out by Walton Goodland in 2018/19, an independent firm of chartered surveyors. The Council operates a two-year programme, with Leisure assets in year one and all other assets in year 2. All land and buildings have been revalued as at 31 March 2019 except for the Leisure assets which were revalued in full in 2017/18. Market information has been reviewed to provide assurance that the Leisure assets are still fairly stated as at 31 March 2019.

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 £'000	Vehicles, Plant and Equipment £'000	Assets Under Construction £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	0	152	0	1,173	180	0	1,505
Valued at current value at:	0	0	0	0	0	0	0
31-Mar-18	13,549	0	0	0	0		13,549
31-Mar-19	7,121	0	0	0	0	916	8,037
<b>Total</b>	<b>20,670</b>	<b>152</b>	<b>0</b>	<b>1,173</b>	<b>180</b>	<b>916</b>	<b>23,091</b>

The major operational assets of the Council are as follows:

Number at 31 March 2018		Number at 31 March 2019
2	Administrative Buildings	2
4	Sports Centres/Swimming Pools	4
0	Affordable housing units	7
16	Car Parks	16
13	Public Conveniences	13
19	Parks and Areas of Open Space	19
6	Cemeteries	6
<b>60</b>		<b>67</b>

## G2. Long term Investments

The Council invested in the CCLA Property Fund during 2013/14 (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 reversed to the Pooled Investments Adjustment Account. If the investment is redeemed, then there is a fee of 7% of the value at the time of sale applicable. In 2016/17 the Council invested £1m in Network Housing Group Limited for a period of three years. The was reclassified to short term investments as at 31 March 2019 as it was due to mature within 1 year of the balance sheet date.

31-Mar-18 £'000	CCLA Property Fund	31-Mar-19 £'000
4,094	Fund Valuation at 1 April	4,288
194	Add/(deduct) fund growth/reduction to 31 March	67
<b>4,288</b>	<b>Fund valuation at 31 March</b>	<b>4,355</b>
1,000	Network Housing Group Limited	0
<b>5,288</b>	<b>Total Long Term Investments</b>	<b>4,355</b>
53	Dividend Receivable (CCLA) at 31 March	54

The full financial instruments note has not been reproduced within the group statements, the key differences are set out in this note (removal of the £1,026k equity investment balance) and the long term debtors notes below (removal of loan £50k, addition of long term and short term debtors for the £574k of deposit). No loss allowance was judged to be chargeable against the deposit, which was held in a solicitor's ring fenced client account as at 31 March 2019.



**Eden District Council  
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### G3. 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 2018/19.

Transactions during 2018/19 for long-term debtors were:

	Loans to Eden Housing Association	Finance Leases	Loan - Business Support	Loan - Leisure Contractor	Deposit on Affordable houses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	628	521	250	32	0	1431
Advances made in 2018/19	0	0	0	0	487	487
Loss allowance charged	0	-20	-11	0	0	-31
Amount repaid in 2018/19	-26	0	0	-8	0	-34
<b>Balance at 31 March 2019</b>	<b>602</b>	<b>501</b>	<b>239</b>	<b>24</b>	<b>487</b>	<b>1,853</b>

### G4. Short Term Debtors

Short Term debtors were as follows:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
1,680	Local Taxation	1,937
223	Housing benefits	760
0	Housing deposit	87
690	Other	475
190	Payment in advance	329
363	Government	352
<b>3,146</b>		<b>3,940</b>

### G5. Cash and cash equivalents

Cash and cash equivalents were made up as follows:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
1	Cash Held by the Council	1
-168	Bank Current Accounts	-55
25	Heart of Cumbria Current Account	39
4,794	Short Term Deposits with Third Parties	4,051
<b>4,652</b>	<b>Total Cash and Cash Equivalents</b>	<b>4,036</b>

### G6. Short Term Creditors

Short-term creditors were made up as follows:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
-166	Local Taxation	-273
-110	Housing benefits	0
-1,670	Other	-942
-411	Receipt in advance	-470
-752	Government	-1,087
<b>-3,109</b>		<b>-2,772</b>

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**G7. Capital Expenditure and Financing**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
390	Opening Capital Financing Requirement	378
0	Opening balance adjustment	-41
	<b>Capital Investment in Year:</b>	
1,023	Property, Plant and Equipment	739
222	Investment Properties	0
223	Intangible Assets	64
652	Long Term Debtors (capital loans)	524
0	Equity	0
289	Revenue Spending funded from Capital Under Statute	369
<b>2,409</b>		<b>1,655</b>
	<b>Financed by:</b>	
417	Repairs and Renewals Fund	178
1,267	Revenue Contribution	1007
489	Capital Receipts	141
236	Capital Grants	370
12	Minimum Revenue Provision	12
<b>378</b>	Closing Capital Financing Requirement	<b>325</b>
	<b>Explanation of Movements in Year</b>	
0	Opening balance adjustment	-41
-12	Increase/Decrease (+/-) in underlying need to borrow (unsupported by Government financial assistance)	-12
<b>-12</b>	Increase/Decrease (+/-) in Capital Financing Requirement	<b>-53</b>

**G8. Reconciliation of Income and Expenditure Deficit to Revenue Activities Net Cash Flow**

The Cash Flow Statement for 2018/19 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.

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
<b>-1,158</b>	Surplus/Deficit (+/-) on the Provision of Services	<b>-676</b>
	<b>Adjustments to the net surplus or deficit on the provision of services for non-cash movements</b>	
485	Depreciation, Amortisation and Impairment Charges	724
924	Pension Costs	846
0	Impairment Allowance on Financial Instruments	31
325	Carrying amount of non-current assets disposed of	327
178	Transfers to/from (-) provisions	-202
92	Decrease (-) / increase in inventories and debtors	-1,288
-152	Decrease/increase (-) in creditors	208
0	Movement in fair value of financial instruments	-75
-262	Movement in fair value of investment property	-295
<b>1,590</b>		<b>276</b>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
-394	Capital grants receivable	-624
-514	Proceeds from sale of property, plant and equipment, investment property and intangible assets	-46
<b>-476</b>	<b>Net cash flow from operating activities</b>	<b>-1,070</b>

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**G9. Cash Flow Statement – Investing Activities**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
-1,010	Purchase of property, plant and equipment investment property and intangible assets	-1,278
0	Purchase of subsidiary undertaking	0
-16,325	Purchase of short and long term investments	-7,000
-628	Long term loans granted	0
514	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	46
16,325	Proceeds from short and long term investments	8,000
327	Other receipts from investing activities	818
<b>-797</b>		<b>586</b>

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## 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') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements and notes to the group accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's 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 2018/19; 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 group and 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.

#### 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 Assistant Director Finance, Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director Finance, Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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 Assistant Director Finance, Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Authority and group 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 group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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

**Eden District Council**  
**Statement of Accounts 2018/19**

'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 issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

**Responsibilities of the Authority, the Assistant Director Finance, Chief Finance Officer 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 13, 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 Assistant Director Finance, Chief Financial Officer. The Assistant Director Finance, Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director Finance, Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director Finance, Chief Finance Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Accounts and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our 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](http://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 2019.

### 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 2019.

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 Eden District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

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

### Gareth Kelly

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

29 July 2019