

Eden District Council Unaudited Statement of Accounts 2020/2021



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Narrative Report

Introduction

Eden is the largest area (at 830 square miles) of any district council in England and with 53,754 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:

- Sustainable;
- Healthy, safe and secure;
- Connected; and
- Creative.

The Council Plan was approved at the Council meeting on 7 November 2019, and covers the period 2019-2023.

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 (£12.098m of corporate revenues in total, see note 12). The Council also generates income from investment property and treasury management activity (£3.573m including increases in fair value, see note 11) and service specific income including grants (£9.088m, see note 39) and fees from service users (£2.900m, see note 34).

The main directly controllable resource is staffing and the majority of outputs 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 2018/2019, 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 31 March 2021, the company had acquired a total of 37 affordable rental units which were fully occupied. As such, group accounts have been prepared for 2020/2021.

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;

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- Resources Portfolio; and
- Services Portfolio.

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

Central Government had been conducting a 'Fairer Funding' review, a major re-assessment of how to share out resources within Local Government, based upon the retention of business rates. If implemented it could have a significant impact on the Council's financial resources but it has now been delayed until at least 2023/24. The major reason for the delays is a combination of Brexit and the Covid19 pandemic. The financial landscape is now completely different to when the review was first started and there are some doubts as to whether the principle of funding Local Government through retained business rates is now sustainable. Whatever the future outcome the Covid19 pandemic and its impact on the economy will undoubtedly mean that the Council's finances will remain under pressure and the Council will have to respond through the transformation of the organisation.

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.

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 2021. 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 2020/21 (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 2020/21 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
Net Cost of Services	11,857	1,318	13,175
Other Income and Expenditure	-16,070	2,620	-13,450
Surplus / deficit (-/+)	-4,213	3,938	-275
General fund balance 31 March 2020	-12,898		
Surplus/deficit in year (-/+)	-4,213		
General Fund balance 31 March 2021	-17,111		

This shows a total General Fund increase of £4.213m in 2020/21 (reduction of £1.118m during 2019/20).

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

31-Mar-20 £'000		31-Mar-21 £'000	Movement £'000
3,024	General Fund Balance	3,025	1
9,874	Earmarked Reserves	14,086	4,212
12,898	Total Revenue Reserves	17,111	4,213
347	Capital Receipts Reserve	455	108
786	Capital Grants Unapplied	1,904	1,118
1,133	Total Capital Reserves	2,359	1,226
14,031	Total Usable Reserves	19,470	5,439

This shows that revenue reserves have increased by £4.213m 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	12,112	10,941	-1,171
Treasury Management	-288	-460	-172
Investment property	-982	-947	35
Net Cost of Services	10,842	9,534	-1,308
Transfers to/from (+/-) Earmarked Reserves	-3,249	2,394	5,643
Other Corporate Items/Budget Adjustments	1,192	1,925	733
Funding Received	-8,785	-15,670	-6,885
Total	0	-1,817	-1,817

The underspend of £1.817m has been allocated to create additional Earmarked Revenue Reserves, as follows:

	£000
LGR Implementation Reserve	1,600
Corporate Priorities Reserve	1,167
Revenue Slippage Reserve	517
Heart of Cumbria Reserve	-1,467
Total	-1,817

There has been no change to the level of General Fund Balances during 2020/2021.

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A summary of the variances at outturn are listed below:

	£000
Professional Fees	-366
Transport/Car Allowances etc.	-42
Homelessness	-118
Rent Allowances	-57
Net budget adjustments (Capital items)	88
Covid related	-304
Revenue Slippage	-500
General Underspend	-9
Net Cost of Services	-1,308
Use of Reserves	5,643
Budget Adjustments	733
Total Cost of Services	5,068
Funding:	
NNDR (net of Pool and s31 Grants)	-6,606
Additional Grants received	-279
Net Surplus	-1,817

Full details are reported within the out-turn report to December 2021 Audit and Governance Committee.

Capital Expenditure and Borrowing

During 2020/2021, the Council spent £2.485m on capital projects, against a budget of £6.613m. This does not reflect a true underspend but is due to the timing of expenditure. £4.128m will be re-profiled into future years of the programme. The single largest element of this relates to £1.277m in respect of the development of a single site which has been deferred for use in 2021/2022 and 2022/2023. Delays in the availability of new houses has caused a delay in investments for Heart of Cumbria and hence a delay to the increase in funding required of £440k. Funding for leisure centre Equipment and Maintenance is expected to progress in 2021/2022 subject to availability (£462k).

The main items of expenditure were:

Description	£'000
Disabled Facility Grants	279
IT Renewals	17
Parish Footway Lighting	35
Leisure Centre Equipment	81
Voreda House purchase	1,024
Heart of Cumbria Funding	837
Newton Road Affordable housing	144
Depot Refurbishment	68
	<u>2,485</u>

Details of the financing can be found in Note 41 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 2021. The Council has net assets of £46.127m (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 £0.136m over the year. The single largest factor is an increase to the net pension liability of £2.039m. Working capital (cash plus current debtors and creditors) has increased from £6.4m to £8.4m. The Council's usable reserves (capital and revenue) increased by £5.439m overall.

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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 2021, the actuarial valuation showed a net liability of £15.557m (2019/20: £13.518m). 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 2020/2021 has increased from that in 2019/2020 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 44 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.

The Collection Fund balance was a net deficit of £13.466m at 31 March 2021, made up of a deficit of £0.7m from Council Tax and a deficit of £12.766m from NNDR. This is 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 2020/2021. As at 31 March 2021, £7.4m of investments and cash of £11.8m were managed in-house. The Council had £2.7m long term loans outstanding, an increase of £0.8m from 2019/20, due to additional loans being made to Heart of Cumbria Ltd in the year.

The Council's investment activity complied with the Council's Treasury Management Strategy for 2020/21, which was approved by Council on 27 February 2020 (Ref F11/20) and reviewed on 26 November 2020 (Ref F40/20). During the year, a further £837k of approved loan facility to the Heart of Cumbria Limited was utilised. Over medium term, the loans are expected to have significant impact on cash resources as the majority of the £5m of loans approved (£3.603m) is yet to be called.

Workforce

During 2020/21, Rose Rouse left the Council as Chief Executive and a shared arrangement with Carlisle City Council was put in place. As part of this arrangement, the post of Director of People and Place was changed to Deputy Chief Executive. The post of Director of Corporate Services was filled on an interim basis as Interim Director of Resources, a post which includes the role of Chief Finance Officer (s151 Officer). The position as at 31 March 2021 is set out below:

- Chief Executive
- Deputy Chief Executive
- Interim Director of Resources

The position of Chief Monitoring Officer is held at Assistant Director Level.

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 Deputy Chief Executive and the Interim Director of Resources report directly to the Chief Executive.

Department of Corporate Services responsibilities

The Interim Director of Resources 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

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Interim Director of Resources is currently being filled on an interim basis and includes the role of Chief Finance Officer (s151). It has senior management responsibility for the Assistant Director Legal and Democratic Services, who is the Council's Monitoring Officer. The department provides a mix of support and front line services and is organised into the following sections:

- Finance and HR - Internal Audit; Financial Advice and Accountancy; Insurance and Risk Management; Payroll; Purchasing; Treasury Management; Creditors and Sundry Debtors. Employee Relations; Recruitment; Learning and Development; Personnel admin; Corporate Health and Well-being; and Organisational Development
- Legal and Democratic Services – Legal Advice and support to Members and client departments; Elections; Member Services and Scrutiny
- Customers and Performance – Council Tax; Business Rates; Housing Benefits and Council Tax Reduction; Customer Services; Alston Local Links Centre; Communication; Council's websites; Corporate Policy; Performance Management and Information Governance
- IT services (part of shared service with South Lakeland District Council).

Department of People and Place responsibilities

The Deputy Chief Executive 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:

- Communities - 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.
- Delivery - 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; Sustainability; Sports facilities and the leisure services' contract; Equalities work across the district and Building Control.
- 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	2.00
Corporate Services	64.21
People and Place	87.32
All departments	Total 153.53
All departments	2019/20 Total 158.23

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/Urbaser Ltd (Urbaser Ltd acquired the contract from Amey in early 2021). Recycling and green waste collection are provided by Cumbria Waste Management. Leisure services are supplied by Greenwich Leisure Limited.

Council Performance

The Council is committed to managing performance and risk, and reviews progress against its corporate priorities on a quarterly basis. The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the corporate plan and the

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priorities of the Council. These measures and key performance indicators are reported on a quarterly basis to highlight progress, identify areas of good performance and actions that have been taken to address underperformance or delays.

We have continued to develop how we manage and report on our performance and have recently introduced new software – Pentana which will help with the management and monitoring of our performance and risk. This will be fully operational for Quarter 3 2021/2022.

A Corporate Plan Dashboard is produced on a quarterly basis that shows the performance achieved against the Council's four priorities, Sustainable, Connected, Creative and Healthy, Safe and Secure, whether the strategic objectives within the priorities are either on target, Green, slightly behind target, Amber or significantly behind, Red.

Progress RAG	Total Red	Total Amber	Total Green	Total Milestones
Total (Count)	2	24	54	80
% of all Milestones	2.5	30	68	
Connected	0	2	5	7
Community Engagement	0	1	0	1
Cycling	0	1	0	1
Digital Eden (Community Fibre Partnership)	0	0	3	3
Equality and Diversity Policy Review	0	0	2	2
Creative	2	3	16	21
Arts & Culture	0	1	6	7
Biodiversity	0	0	7	7
Low Carbon/Greening Eden Businesses	2	2	0	4
Town Centres	0	0	3	3
Healthy, Safe and Secure	0	4	12	16
Castle Park	0	2	1	3
Heart of Cumbria	0	0	3	3
Home Improvement Agency	0	2	1	3
New Homes (Sustainable Housing Scheme)	0	0	2	2
Young Person and Families Strategy	0	0	2	2
Zero Carbon Housing Retro-fit	0	0	3	3
Sustainable	0	15	21	36
Circular Economy	0	4	1	5
Local Plan	0	4	2	6
Newton Rigg	0	0	6	6
One Eden	0	3	3	6
Redevelopment of Mansion House & Town Hall	0	0	3	3
Rural Economic Strategy	0	3	0	3
Sustainable Waste Service	0	1	2	3
Zero Carbon Strategy	0	0	4	4

At the end of Quarter 4 2021 strategic objectives identified, 54 were Green, 24 Amber and 2 Red warnings. The resources had to be diverted to the delivery of Covid grants.

In a lot of areas the milestones of 2020/21 have been achieved. That is not to say all of the objectives have been fully met and new milestones will be set to continue the projects through the next year. However given the issues we have all faced over the past year, the progress, alongside keeping the day to day business running is incredible and it is reassuring that only 2 of the strategic milestones have fallen below target during this period.

We also report on Key Performance Indicators which is a measure on the 'health' of the organisation – the day to day operations. Again performance continues to be consistently good despite the impact of Covid on society, and is an indication of the hard work and dedication of our officers.

Assessment of Going Concern

The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in

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financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of councils, as a consequence, greater emphasis is now placed, on local authorities to make an assessment on a 'going concern' basis on which they prepare their financial statements.

The main factors which underpin this assessment are outlined below and include:

- the Council's current financial position;
- the Council's projected financial position; and,
- the regulatory and control environment applicable to the Council as a local authority.

The Council's current financial position

The financial outturn position for 2020/2021 shows an underspend of £1.817m. As at the 31st March 2021 the Council held general revenue reserves of £3.025m. Additionally the Council held £14.086m in earmarked reserves.

General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. The Medium Term Financial Strategy prepared by the Chief Finance Officer has assessed that the minimum level of general reserves to be held by the Council is 10% of net expenditure. At 31 March 2021 general reserves were at 23%. This reflects both the current financial uncertainties regarding the Covid 19 pandemic, but also the requirements of a Council of Eden's size.

At 31 March 2021 the Council held £11.757m in the form of either cash or short term investments maturing within the next financial year.

The Council's projected financial position

The Council set a balanced budget in 2021/2022 with a net budget requirement of £8.0m. The budget required savings through the One Eden Transformation programme of £803k with total savings required of £8.19m across the MTFP.

Whilst the Covid19 pandemic has meant that these savings haven't been achieved, the current in-year projections reflect an underspend of around £465k. This factors all of the additional costs and the Covid19 grants paid to Eden by the Government. The Council recognises that this is still an extremely volatile environment and is monitoring its budgets accordingly.

The medium term forecast position for Eden is even more uncertain, the Draft Spending Review announced by the Chancellor was positive for 2022/2023 with a 4.0% increase in spending power. Our projections based on Fairer Funding review were for a real terms reduction. The fact that the settlement will be a single year settlement means that we must prepare for reductions in the future.

The Council's Medium Term Financial Strategy and Plan set out the scale of the savings required through the One Eden Transformation Programme and these are projected to increase to £1.8m across the medium term. The programme is being delivered concurrently with the 2021/2022 budget meaning that the scale of savings required and the plans to deliver them will be approved concurrently. Whilst, there may be timing differences in delivery of savings the Council has the reserves to ensure that the savings are manageable across the medium term period.

The Council's balance sheet as at 31 March 2021

The balance sheet shows a net worth of £46.127m and this is significantly reduced by the inclusion of a pension liability of £15,557m. There are statutory arrangements for funding the pension deficit through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. Therefore the financial position of the Council remains healthy. Other factors giving rise to this assessment include:

- the adequacy of risk-assessed provisions for doubtful debts;
- the range of reserves set aside to help manage expenditure; and,

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- an adequate risk-assessed working balance to meet unforeseen expenditure.

Heart of Cumbria

The Heart of Cumbria Limited has continued its operations and as at 31 March 2021 was successfully letting 37 affordable units, up from 20 the previous financial year, and had seen the value of those units increase by £168k in year and by £262k in total. The company is also committed to purchasing a further 44 units. As the company is trading and the transactions are financially material, group accounts have been prepared.

The Council's governance arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

An overview of this governance framework is provided within the Annual Governance Statement which is included elsewhere within these statements. This includes a detailed review of the effectiveness of the Council's governance arrangements.

The external regulatory and control environment

As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery.

COVID-19

COVID-19 has had a significant impact on the financial standing of the Council during 2020/2021 and will also impact future years as well if there is continued economic uncertainty and recession. The Council is maintaining a careful and pragmatic approach to dealing with the financial impact. It has sufficient revenue reserves to be able to reallocate resources if required, but significant risks remain, particularly around commercial rental income from property and collection of business rates and council tax. The Council has sufficient cash-flow to be able to manage these risks and does not foresee a need to undertake any short-term borrowing for cash-flow purposes any time soon.

The statement of accounts sets out the outturn position for the financial year 2020/2021, a year which was dominated by the impacts of the Covid-19 pandemic. In response the council has played a significant role in delivering a range of support to the community during the year including the provision of a substantial package of grants to businesses on behalf of the government, support for clinically extremely vulnerable residents, support for council tax-payers (including the processing of payments to those required to self-isolate), the inspection of premises to ensure compliance with covid restriction measure and supporting the programme of track and trace. The majority of this work has been delivered by existing council employees who have necessarily been diverted from the "day job" to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out. This is reflected in increased budget slippage requests in particular for capital budget items this year.

The financial impact of the covid restriction measures on a number of service areas, and consequently on the council's financial position for 2020/2021, has been significant, and as a consequence a range of national funding measures have been introduced that assist in off-setting some of those negative financial effects. Eden Council was allocated general covid support grant funding for 2020/2021 totalling £0.737m which was followed by a range of further grant allocations for specific purposes, including a

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number of 'new burdens' grants in respect of the administration of the numerous grant support for businesses payment schemes.

In July 2020 the government announced a further funding package for councils in respect of reduced sales, fees, and charges income. Under this scheme the government reimbursed councils a proportion of eligible income that was lost as a consequence of the pandemic, such as car parking income and planning fee income. Where losses are more than 5% of the budgeted income from sales, fees and charges, the government covered 75p in every pound lost for the remainder i.e. the council will stand the first 5% of the loss and will be reimbursed for 75% of the remaining 95% of the shortfall. The grant received during 2020/2021 under the scheme was £0.163m. It was announced as part of the 2021/2022 Local Government Finance Settlement that there would be an extension of the Sales, Fees and Charges Compensation Scheme to include the first quarter of 2021/2022. The estimated financial impact of this continues to be assessed and this will be reflected in future updates of the Medium Term Financial Plan.

Local Government Reorganisation

The Council was notified on 21 July of the outcome of the consultation into proposed Local Government Reorganisation (LGR) in Cumbria. The decision notified the Council that, subject to Parliamentary approval, the two new unitary authorities would replace the current local government structure in Cumbria. The proposal is for two unitary councils – an East unitary council covering the existing areas of Barrow, Eden and South Lakeland and a West unitary council covering the existing areas of Allerdale, Carlisle and Copeland.

Conclusion

It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a going concern.

This assessment will be undertaken annually in the course of preparing the Council's financial statements for each year.

Paul Sutton

Interim Director of Resources

Chief Finance Officer (s151)

22 December 2021

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 Interim Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Interim Director of Resources Responsibilities:

The Interim Director of Resources is responsible for the preparation of the Authority's 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 ('the Code').

In preparing this Statement of Accounts, the Interim Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error.

The Interim Director of Resources Certification:

I certify that the Statement of Accounts, including the group accounts, gives a true and fair view of the financial position of the Council as at 31 March 2021 and of its income and expenditure for the year then ended.

Paul Sutton
Interim Director of Resources

Chief Finance Officer (S151)

Date: 22 December 2021

Movement in Reserves Statement

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

	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 01.04.20		12,898	347	786	14,031	32,232	46,263
Surplus/deficit on provision of services (accounting basis)		275	0	0	275	0	275
Other Comprehensive Expenditure and Income		0	0	0	0	-411	-411
Total Comprehensive Expenditure and Income		275	0	0	275	-411	-136
Adjustments between accounting basis and funding basis under regulations	8	3,938	108	1,118	5,164	-5,164	0
Increase/decrease in year		4,213	108	1,118	5,439	-5,575	-136
Balance at 31.03.21		17,111	455	1,904	19,470	26,657	46,127

The comparative figures from 2019/2020 are below:

	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31.3.19		14,016	296	662	14,974	33,153	48,127
Surplus/deficit on provision of services (accounting basis)		-2,007	0	0	-2,007	0	-2,007
Other Comprehensive Expenditure and Income		0	0	0	0	143	143
Total Comprehensive Expenditure and Income		-2,007	0	0	-2,007	143	-1,864
Adjustments between accounting basis and funding basis under regulations	8	889	51	124	1,064	-1,064	0
Increase/decrease in year		-1,118	51	124	-943	-921	-1,864
Balance at 31.3.20		12,898	347	786	14,031	32,232	46,263

Comprehensive Income and Expenditure Statement

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

2019/20 Gross Expend £'000	2019/20 Gross Income £'000	2019/20 Net Expend £'000		2020/21 Gross Expend £'000	2020/21 Gross Income £'000	2020/21 Net Expend £'000	Notes
			Expenditure on Services				
558	-77	481	Commercial Services Portfolio	823	-72	751	
960	-44	916	Communities Portfolio	886	-27	859	
1,019	-586	433	Eden Development Portfolio	1,113	-525	588	
2,188	-1,052	1,136	Housing and Health Portfolio	2,412	332	2,744	
925	-50	875	Leader Portfolio	1,883	-714	1,169	
13,129	-8,748	4,381	Resources Portfolio	11,834	-8,013	3,821	
4,217	-1,488	2,729	Services Portfolio	4,527	-1,284	3,243	
22,996	-12,045	10,951	Cost of Services	23,478	-10,303	13,175	
1,674	-321	1,353	Other Operating Expenditure	2,188	-251	1,937	10
633	-1,547	-914	Financing and Investment Income and Expenditure	378	-3,667	-3,289	11
7,156	-16,539	-9,383	Taxation and Non-Specific Grant Income	7,735	-19,833	-12,098	12
32,459	-30,452	2,007	Surplus/Deficit on the Provision of Services (-/+)	33,779	-34,054	-275	33
0	-354	-354	Surplus on Revaluation of Non-Current Assets	0	-306	-306	13
0	-68	-68	Surplus/Deficit on Revaluation of Financial Assets	0	-168	-168	
3,806	-3,527	279	Remeasurement of the Net Defined Benefit Liability	10,602	-9,717	885	44
3,806	-3,949	-143	Other Comprehensive Income and Expenditure	10,602	-10,191	411	
36,265	-34,401	1,864	Total Comprehensive Income and Expenditure	44,381	-44,245	136	

Balance Sheet as at 31 March 2021

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

31 March 2020		31 March 2021	Notes
£'000		£'000	
23,208	Property, Plant and Equipment	23,520	13
790	Heritage Assets	790	14
17,677	Investment Property	19,911	15
363	Intangible Assets	325	16
5,293	Long Term Investments	5,431	20
1,901	Long Term Debtors	2,695	18
49,232	Total Long Term Assets	52,672	
14	Inventories	14	
3,343	Short Term Debtors	5,284	19
4,018	Short Term Investments	2,000	20
7,771	Cash and Cash Equivalents	11,757	21
440	Assets Held for Sale	90	22
15,586	Total Current Assets	19,145	
-4,687	Short Term Creditors	-8,603	23
-193	Provisions	-205	24
-4,880	Total Current Liabilities	-8,808	
-157	Long term creditors	-1,325	
-13,518	Pension Liability	-15,557	44
-13,675	Total Long Term Liabilities	-16,882	
46,263	Net Assets	46,127	
-14,031	Usable Reserves	-19,470	26
-32,232	Unusable Reserves	-26,657	28
-46,263	Total Reserves	-46,127	

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 2021 and its income and expenditure for the year then ended.

P Sutton

Paul Sutton

Interim Director of Resources, Chief Finance Officer (S151 Officer)

22 December 2021

M Eyles

Councillor Mike Eyles

Chair of Accounts and Governance Committee, on behalf of Eden District Council

22 December 2021

Cash Flow Statement

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

2019/20		2020/21	Notes
£'000		£'000	
-2,007	Net Surplus or deficit (+/-) on Service Provision	275	29
4,204	Adjust net surplus or deficit on the provision of services for non-cash movements	3,295	29
-831	Adjust for items included in the new surplus or deficit on the provision of services that are investing and finance activity	-1,649	29
1,366	Net Cash Flow from Operating Activities	1,921	29
1,586	Net cash flows from investing activities	2,483	31
822	Net cash flows from financing activities	-418	32
3,774	Net Increase/Decrease in Cash and Cash Equivalents	3,986	
3,997	Cash and cash equivalents at 1 April	7,771	21
7,771	Cash and cash equivalents at 31 March	11,757	21
3,774	Net Increase/Decrease (+/-) in Cash and Cash Equivalents	3,986	21

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Introduction

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (the Code) and the accounting policies set out at Note A. The notes that follow set out supplementary information to assist readers of the accounts.

Note A - Accounting Policies

A1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/2021 financial year and its position at the year-end of 31st March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (the Code) and the Service Reporting Code of Practice 2020/2021 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

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.

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.

Unaudited Statement of Accounts 2020/2021

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:

Eden District Council
Unaudited Statement of Accounts 2020/2021

- ▷ 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.

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.

Unaudited Statement of Accounts 2020/2021

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
- 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).

Unaudited Statement of Accounts 2020/2021

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

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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.

A16. 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.

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:

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at fair value or current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value or current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

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

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.

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Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation

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

The Council has set a componentisation policy whereby any asset with a gross value of more than £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

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carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £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 levy's 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

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- 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.

Other Notes to the Accounts

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Programme Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Commercial Services Portfolio	599	152	751
Communities Portfolio	553	306	859
Eden Development Services portfolio	462	126	588
Housing and Health Portfolio	2,696	48	2,744
Leader Portfolio	1,101	68	1,169
Resources Portfolio	3,384	437	3,821
Services Portfolio	3,062	181	3,243
Net cost of services	11,857	1,318	13,175
Other income and expenditure	-16,070	2,620	-13,450
Surplus / deficit (-/+)	-4,213	3,938	-275
General fund balance 31 March 2020	-12,898		
Surplus/deficit in year (-/+)	-4,213		
General Fund balance 31 March 2021	-17,111		

Adjustments to Funding and Accounting Basis

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

	Adjustments for capital purposes	Net change for the pensions Adjustment	Accumulated absences and Collection fund adjustment	Total Adjustments
	£000	£000	£000	£000
Commercial Services Portfolio	100	45	7	152
Communities Portfolio	306	0	0	306
Eden Development Services Portfolio	0	108	18	126
Housing and Health Portfolio	-119	135	32	48
Leader Portfolio	0	60	8	68
Resources Portfolio	139	249	49	437
Services Portfolio	34	123	24	181
Net cost of services	460	720	138	1,318
Other income and expenditure from the funding analysis	-3,402	434	5,588	2,620
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	-2,942	1,154	5,726	3,938

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Comparatives for 2019/2020

Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Commercial Services Portfolio	599	-118	481
Communities Portfolio	580	336	916
Eden Development Services portfolio	322	111	433
Housing and Health Portfolio	1,251	-115	1,136
Leader Portfolio	794	81	875
Resources Portfolio	3,411	970	4,381
Services Portfolio	2,444	285	2,729
Net cost of services	9,401	1,550	10,951
Other income and expenditure	-8,283	-661	-8,944
Surplus / deficit (-/+)	1,118	889	2,007
General fund balance 31 March 2019	-14,016		
Surplus/deficit in year (-/+)	1,118		
General Fund balance 31 March 2020	-12,898		

Adjustments to Funding and Accounting Basis 2019/2020

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

	Adjustments for capital purposes	Net change for the pensions Adjustment	Accumulated absences and Collection fund adjustment	Total Adjustments
	£000	£000	£000	£000
Commercial Services Portfolio	-160	46	-4	-118
Communities Portfolio	336	0	0	336
Eden Development Services Portfolio	0	109	2	111
Housing and Health Portfolio	-131	13	3	-115
Leader Portfolio	0	79	2	81
Resources Portfolio	144	818	8	970
Services Portfolio	34	250	1	285
Net cost of services	223	1,315	12	1,550
Other income and expenditure from the funding analysis	-534	313	-440	-661
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	-311	1,628	-428	889

2. 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 2017/2018 but had material operations through 2018/2019 to 2020/2021, including a £1m equity investment by the Council to support acquisition of affordable houses for rent in Penrith. As at 31 March 2021, the company had acquired 37 units (17 in 20/21, 13 in 19/20, 7 in 18/19) and committed to acquire a further 44 over the medium term. Group accounts have therefore been produced for 20/21.

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 £262k up to 31 March 2021 reflecting increases in the value of the 37 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.

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

The Codes of Practice on Local Council Accounting in the United Kingdom for 2020/2021 and 2021/2022 have introduced several changes in accounting policies which will be required from 1st April 2021. If these had been adopted retrospectively for the financial year 2020/21 there would be no material changes within the financial statements.

The additional disclosures that require consideration for the 2020/2021 financial statements in respect of accounting changes that are introduced in the 2021/2022 Code relate to:

- Amendments to IFRS 3 Business Combinations.
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

Not all of the above are relevant to Eden Council and it is anticipated that the amendments will not have a material impact on the information provided in the financial statements.

4. Critical Judgements in Applying Accounting Policies

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

- The uncertainty regarding future levels of local government funding and the financial impact of the decision for Britain to leave the European Union remains unclear. At present, the Council's view is that this uncertainty does not require any material change to asset values or service provision;
- The Council has judged 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.

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- 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.

5. 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 2021, for which there is a risk of adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Where appropriate, assets are depreciated over useful lives, dependent on assumptions about the level of repairs and maintenance incurred in relation to individual assets. The Council may not sustain current spending levels on repairs and maintenance, bringing the useful lives assigned into doubt.	If useful lives reduce, depreciation charges increase and the carrying amount of assets decrease. It is estimated that the annual charge for depreciating assets would increase by £49k for every year that useful lives are reduced by. A 10% change in those assets subject to revaluation (£26.983m) would change the value of those assets on the Balance Sheet by £2.698m and the depreciation charge to the CIES by approximately £3,000.
Property, Plant and Equipment/ Investment property valuations	<p>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.</p> <p>2019/2020 valuations were reported on the basis of 'material valuation uncertainty' by the Council's valuers.</p> <p>However by the 2020/2021 valuation date the property markets were deemed to be operating with sufficient volume and relevant evidence on which to base valuation judgements. Accordingly valuations are not reported as being subject to 'material valuation uncertainty' in 2020/2021.</p>	The total value of non-current tangible assets at fair or current value was £42.3m, a 1% error would equate to £423k variance on the balance sheet and CIES, whereas a 10% error would equate to a £4.23m variance. Statutory over-rides exist that prevent revaluations impacting on the authority's usable reserves. See also fair value measurements below.

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the 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.</p> <p>At 31 March 2021 the net pension liability of £15.557m includes £60.415m in respect of the Authority's share of assets held by the Cumbria LGPS. This includes £4.856m in respect of the Authority's share of the schemes direct property investments and investments in unquoted property funds. These valuations have been impacted by the Covid 19 pandemic in the same way as Property Plant and Equipment above as at 31 March 2021.</p>	A sensitivity analysis is included within the Retirement Benefits note.
Fair Value Measurements	<p>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.</p> <p>If level 1 inputs are not available, the Council will engage expert assistance to identify the most appropriate valuation techniques to determine fair value.</p> <p>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.</p>	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	<p>The Council has two provisions in its accounts at 31 March 2021 as set out in the Provisions note.</p> <p>It is not certain that the total amount of the provisions will be totally sufficient or required in full.</p>	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 2021/2022. Should a further amount be needed, this will be an additional charge to the General Fund/Collection Fund.
Arrears	<p>In the Balance Sheet at 31 March 2021, the Council included an estimated allowance for credit losses of £337k has been calculated as appropriate. Such allowance may not be sufficient in future and may require reassessment.</p>	If collection rates deteriorate, the allowance for credit losses would increase. If it were determined that the allowance should increase by 10%, an extra £34k would need to be set aside.

6. 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:

	2019/20 £000	2020/21 £000
Contract payment for Refuse Collection	812	849
Recycling credits income	-650	-747
Housing Benefit paid to claimants	7,295	7,028
Housing Benefit subsidy grant	-7,234	-7,017
Rental Income from the Penrith New Squares	-825	-840
Development Control income	-540	-490
Cumbria Business Rates Pool income	-377	-504
Cumbria Business Rates Pool Levy	823	924

7. 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;
- 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.

The Statement of Accounts was authorised for issue by the Interim Director of Resources on 22 December 2021. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. 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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2020-2021	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Costs Transferred from the Pensions Reserve	1,154	0	0	-1,154
Council Tax and Non-Domestic Rates Transferred from the Collection Fund	5,588	0	0	-5,588
Holiday Pay Transferred to the Accumulated Absences Reserve	139	0	0	-139
Reversal in relation to loss allowance and Financial instruments held at FVPL	-81	0	0	81
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure	-2,880	0	1,398	1,482
Total Adjustments to Revenue Resources	3,920	0	1,398	-5,318
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	1,028	251	0	-1,279
Statutory Provision for the Repayment of Debt	-12	0	0	12
Capital Expenditure Financed from General Fund Balances	-998	0	0	998
Total Adjustments between Revenue and Capital Resources	18	251	0	-269
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to Finance Capital Expenditure	0	-185	0	185
Application of Capital Grants to Finance New Capital Expenditure	0	0	-280	280
Cash Payments in Relation to Long Term Debtors	0	42	0	-42
Total Adjustment to Capital Resources	0	-143	-280	423
Total Adjustments	3,938	108	1,118	-5,164

2019/20 comparatives :	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension Costs Transferred from the Pensions Reserve	1,628	0	0	-1,628
Council Tax and Non-Domestic Rates Transferred from the Collection Fund	-440	0	0	440
Holiday Pay Transferred to the Accumulated Absences Reserve	12	0	0	-12
Reversal in relation to loss allowance and Financial instruments held at FVPL	300	0	0	-300
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure	101	0	488	-589
Total Adjustments to Revenue Resources	1,601	0	488	-2,089
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	256	321	0	-577
Statutory Provision for the Repayment of Debt	-12	0	0	12
Capital Expenditure Financed from General Fund Balances	-956	0	0	956
Total Adjustments between Revenue and Capital Resources	-712	321	0	391
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to Finance Capital Expenditure	0	-303	0	303
Application of Capital Grants to Finance New Capital Expenditure	0	0	-364	364
Cash Payments in Relation to Long Term Debtors	0	33	0	-33
Total Adjustment to Capital Resources	0	-270	-364	634
Total Adjustments	889	51	124	-1,064

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9. 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-19	Transfer Out	Transfer In	31-Mar-20	Transfer Out	Transfer In	31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Renewals Fund	1,009	-350	190	849	-849	0	0
IT Renewals Fund	81	-96	70	55	-55	0	0
Capital Funding Reserve	403	0	0	403	-17	962	1,348
Business Rates Pool Volatility	0	0	0	0	0	5,107	5,107
Homelessness	111	-25	21	107	-15	0	92
Repossession Prevention Fund	30	0	0	30	0	0	30
Building Regulations Surplus/Deficit	121	0	4	125	-52	0	73
Community Fund	114	0	25	139	0	7	146
Affordable Housing Fund	1,170	0	288	1,458	-1,431	0	27
BRRS Reserve	93	0	0	93	0	0	93
Community Housing Fund	839	-48	0	791	-127	0	664
Penrith Vision	73	-7	0	66	-21	0	45
Appleby HAZ	14	-1	0	13	-8	0	5
Custom, Brown field, Neighbourhood plans	79	-5	0	74	0	10	84
Transformation Reserve	500	-50	0	450	0	0	450
Place Shaping Reserve	250	-30	0	220	-220	0	0
Energy Efficiency Reserve	100	-57	0	43	-6	0	37
Heat Networks Reserve	136	-136	148	148	-62	0	86
Signature Fund	290	-200	0	90	-90	0	0
Eden Business Park Ph2	0	0	48	48	0	0	48
Employment Sites	0	0	46	46	-30	0	16
Eden Local Plan	0	0	23	23	0	220	243
Leisure Maintenance/Repairs	0	0	58	58	-58	0	0
Business Growth Pilot	0	0	35	35	-16	0	19
Devolution public conveniences	0	0	42	42	-18	0	24
Heart of Cumbria Ltd Loans Reserve	0	-510	4,950	4,440	-2,304	0	2,136
Revenue Slippage Reserve	0	0	0	0	0	517	517
Corporate Priorities Reserve	0	0	0	0	0	1,167	1,167
LGR Implementation Reserve	0	0	0	0	0	1,600	1,600
Other earmarked reserves less than £20,000	29	-1	0	28	0	1	29
	5,442	-1,516	5,948	9,874	-5,379	9,591	14,086

The main purpose of each reserve is as follows:

Reserve	Purpose of reserve
Renewals Fund	Set aside to support ongoing renewal of operational assets. Closed in 2020/2021 and balance transferred into the Capital Funding Reserve.
IT Renewals Fund	Set aside to support ongoing renewal of IT assets. Closed in 2020/2021 and balance transferred into the Capital Funding Reserve.
Capital Funding Reserve	Set aside to support the Capital Programme.
Business Rates Pool Volatility	Set aside as part of the business rates pool agreement 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.
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).
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.

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Reserve	Purpose of reserve
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. Closed in 2020/2021 and the balance transferred to the Eden Local Plan Reserve.
Energy Efficiency Reserve	Set aside grant funding provided for pilot studies to support implementation of domestic energy efficiency regulations.
Heat Networks Reserve	Set aside grant funding provided for preparatory work into heat networks in the District
Signature Fund	Set aside to fund the signature projects scheme; schemes led by Parish Councils for enhancing or acquiring community assets.
Eden Business Park Ph2	Created in 2019/20 - Set aside from underspends in the current year's budget to fund future costs relating to Eden Business Park.
Employment Sites	Created in 2019/20 - Set aside from underspends in the current year's budget to fund future employment site costs.
Eden Local Plan	Created in 2019/20 - Set aside to fund future Local Plan costs.
Leisure Maintenance/Repairs	Set aside to fund future maintenance costs for leisure sites. Closed in 2020/21.
Business Growth Pilot	Created in 2019/20 - Set aside to fund future costs relating to the growth of business in the Borough.
Devolution public conveniences	Created in 2019/20 - Set aside to fund the future costs for the devolution of public conveniences.
Heart of Cumbria Ltd Loans Reserve	Set aside to fund all future loans to the Heart of Cumbria Ltd for property acquisitions, as required
Revenue Slippage Reserve	Set aside from underspends in the current years budgets to fund any costs that had slipped to the following year.
Corporate Priorities Reserve	Created in 2020/21 – set aside to fund costs relating to Corporate Priorities.
LGR Implementation Reserve	Created in 2020/21 - set aside for the implementation of the Local Government Review.

10. Other Operating Expenditure

2019/20 £'000		2020/21 £'000
1,097	Parish Council Precepts	1,160
256	Gain (-)/Loss on Disposal of Non-Current Assets	777
1,353	Total	1,937

11. Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'000
0	Interest Payable and Similar Charges	12
313	Net Interest on the Pension Net Defined Liability	353
-11	Anticipated Loss Allowance	0
279	FV changes on Financial Instruments (P&L)	-81
-431	Interest Receivable and Similar Income	-391
-1,064	Income and expenditure in relation to investment property and changes in fair value (see Note 15)	-3,182
-914	Total	-3,289

12. Taxation and Non-Specific Grant Incomes

2019/20 £'000		2020/21 £'000
-5,000	Council Tax Income	-5,181
-3,076	Non-Domestic Rates Income	-3,376
-1,307	Non-Ring-Fenced Government Grants (see Note 39)	-2,685
0	Capital Grants and contributions	-856
-9,383	Total	-12,098

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13. Property, Plant and Equipment

The table below sets out the transactions relating to Property, Plant and Equipment in 2020/21:

	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
Cost/Valuation at 1.4.20	21,173	774	0	2,211	180	374	24,712
Additions	149	17	1,024	35	0	0	1,225
Depreciation written out on revaluation	-158	0	0	0	0	0	-158
Revaluations – Revaluation Reserve	331	0	0	0	0	-35	296
Revaluations - Recognised in the cost of services	61	0	0	0	0	0	61
Disposals	-115	-462	0	-1,648	0	0	-2,225
Reclassification from Assets Held for Sale	0	0	0	0	0	197	197
Cost/ Valuation at 31.3.21	21,441	329	1,024	598	180	536	24,108
Accumulated Depreciation and Impairment 1.4.20	-80	-553	0	-871	0	0	-1,504
Depreciation charge	-426	-56	0	-110	0	0	-592
Depreciation written out on revaluation	158	0	0	0	0	0	158
Write out on disposal	4	462	0	884	0	0	1,350
As at 31.3.21	-344	-147	0	-97	0	0	-588
Net Book Value 31.3.21	21,097	182	1,024	501	180	536	23,520
Net Book Value 31.3.20	21,093	221	0	1,340	180	374	23,208

Comparative movements in 2019/20 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
Cost/Valuation at 1.4.19	21,308	668	0	1,947	180	751	24,854
Additions	286	106	0	264	0	0	656
Revaluations – Revaluation Reserve	-191	0	0	0	0	0	-191
Revaluations - Recognised in the cost of services	103	0	0	0	0	0	103
Disposals	-333	0	0	0	0	0	-333
Transfer of Assets	0	0	0	0	0	-377	-377
Cost/ Valuation at 31.3.20	21,173	774	0	2,211	180	374	24,712
Accumulated Depreciation and Impairment 1.4.2019	-323	-516	0	-774	0	0	-1,613
Depreciation charge	-372	-37	0	-97	0	0	-506
Impairment (losses)/ reversals recognised in CIES*	82	0	0	0	0	0	82
Impairment (losses)/ reversals recognised in revaluation Reserve*	527	0	0	0	0	0	527
Write out on disposal	6	0	0	0	0	0	6
As at 31.3.20	-80	-553	0	-871	0	0	-1,504
Net Book Value 31.3.20	21,093	221	0	1,340	180	374	23,208
Net Book Value 31.3.19	20,985	152	0	1,173	180	751	23,241

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

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All assets were owned as at 31 March 2020 and 31 March 2021. 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 2020/21, 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. Land and buildings have been revalued in full in 2020/21, with all other Leisure assets last being valued in 2019/20. Market information has been reviewed to provide assurance that all leisure assets are still fairly stated as at 31 March 2021.

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	182	1,024	501	180	0	1,887
Valued at current value at:							
31-Mar-20	14,651	0	0	0	0	0	14,651
31-Mar-21	6,446	0	0	0	0	536	6,982
Total	21,097	182	1,024	501	180	536	23,520

The major operational assets of the Council are as follows:

Number at 31 March 2020		Number at 31 March 2021
2	Administrative Buildings	2
4	Sports Centres/Swimming Pools	4
16	Car Parks	15
10	Public Conveniences	9
19	Parks and Areas of Open Space	19
6	Cemeteries	6
57		55

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 31/3/2021 £000	2019/20 Assessment	2020/21 Assessment	Valuation Technique	Inputs	Yields Applied	Highest and Best?
Numerous Development land parcels	507	Level 3	Level 3	Market	Rate/acre influenced by location, condition, size, planning restrictions	between £10.5k and £190k/acre	Yes
Car park land	29	Level 3	Level 3	Market	Income, yield influenced by local factors	Income discounted at 7%	Yes
Total	536						

14. Heritage Assets

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

	Human History £'000	Art Collection £'000	Other £'000	Total £'000
Cost or Valuation 1 April 2019	108	635	43	786
Revaluations	0	0	4	4
Transfers	0	0	0	0
Cost or Valuation 31 March 2020	108	635	47	790
Revaluations	0	0	0	0
Transfers	0	0	0	0
Cost or Valuation 31 March 2021	108	635	47	790

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.

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.

15. 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:

2019/20		2020/21
£'000		£'000
993	Rental Income from Investment Property	960
-41	Direct Operating Expenses Arising from Investment Property	-13
952	Net Gain/Loss (+/-)	947

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, or develop investment property, or repairs, maintenance, or enhancement. A valuation of the lease of the Penrith New Squares site, which is included in investment property, was undertaken by Walton Goodland, at 31 March 2021. 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.

2019/20		2020/21
£'000		£'000
17,465	Balance at the start of the year	17,677
0	Disposals	0
100	Reclassification of Assets	0
112	Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in Fair value	2,234
17,677		19,911

The most significant Investment Property is Penrith New Squares, which was valued at £17.0m at 31 March 2021. This is on a long-term lease, which protects the Council from fluctuation in occupancy levels. The remaining properties are mostly Industrial Units. All these properties are held for the purposes of realising rental income and are leased to third parties.

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are:

Asset Type	NBV 31.3.21 £'000	Fair Value Hierarchy 31.3.20	Fair Value Hierarchy 31.3.21	Valuation Technique	Inputs	Yields
Penrith New Squares	17,000	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	4.5% to 5%
Station Road Industrial Estate, Alston	455	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	7.5% to 10%
Gilwilly Industrial Estate, Penrith	1,410	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	5% to 8%
Office Units	406	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	8% to 10.5%
Retail Units	197	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions.	8.5% to 9.5%

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Asset Type	NBV 31.3.21 £'000	Fair Value Hierarchy 31.3.20	Fair Value Hierarchy 31.3.21	Valuation Technique	Inputs	Yields
Appleby Heritage Centre	145	3	3	Income	Income and yield selected based on location, demand, condition, use restrictions	12% Deferred for 1 year to allow for Landlord's Works
Land	298	3	3	Income & Market	Income and yield selected based on location, demand, condition, use restrictions	5% to 7.5%
Total	19,911					

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 Interim Director of Resources 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.

16. 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. A summary of spending and other movements during the year is shown below:

2019/20 £'000		2020/21 £'000
458	Cost/Value 1 April	545
0	Write out of fully utilised asset	0
87	Expenditure in Year	0
545	Total	545
-149	Accumulated Amortisation	-182
0	Write out of fully utilised asset	0
-33	Amortisation in Year	-38
-182	Total Amortisation	-220
363	Net Book Value	325

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Long Term		Current	
	31/03/2020 £'000	31/03/2021 £'000	31/03/2020 £'000	31/03/2021 £'000
Investments				
Amortised cost	0	0	4,018	2,000
Fair Value (Other Comprehensive Income)	0	0	0	0
Designated Fair Value (Other Comprehensive Income)	1,094	1,262	0	0
Fair Value (Profit and Loss)	4,199	4,169	0	0
Available for Sale	0	0	0	0
Total Investments	5,293	5,431	4,018	2,000
Cash and Cash Equivalents				
Amortised cost	0	0	60	-282
Available for Sale	0	0	0	0
Fair Value (Profit and Loss)	0	0	7,711	12,039
Total Cash and Cash Equivalents	0	0	7,771	11,757
Debtors				
Amortised cost	1,400	2,195	458	453
Total Included in Debtors	1,400	2,195	458	453
Borrowings				
Financial Liabilities at Amortised Cost	0	0	0	0
Total Included in Borrowings	0	0	0	0
Creditors				
Financial Liabilities at Amortised Cost	-157	-1,325	-1,011	-867
Total Creditors	-157	-1,325	-1,011	-867

The balance of items designated as Fair Value through Other Comprehensive Income is made up of the Heart of Cumbria Equity investment £1,262k.

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.

A reconciliation of Financial Instruments to Balance Sheet Debtors and Creditors is shown below:

31-Mar-20			31-Mar-21	
Debtors £'000	Creditors £'000		Debtors £'000	Creditors £'000
		Value as per note above		
458	0	Short Term Debtors	453	0
1,400	0	Long Term Debtors	2,195	0
0	-157	Long Term Creditors	0	-1,325
0	0	Borrowings	0	0
0	-1,011	Creditors	0	-867
3,386	-3,676	Non-Contractual Items	5,331	-7,736
5,244	-4,844		7,979	-9,928
		Balance Sheet		
0	0	Long Term Borrowing	0	0
3,343	-4,687	Short Term Debtor/Creditor	5,284	-8,603
0	-157	Long Term Creditors	0	-1,325
1,901	0	Long Term Debtor	2,695	0
0	0	Borrowing Repayable in 12 Months	0	0
5,244	-4,844	Total as Per Balance Sheet	7,979	-9,928

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Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2020/21 in relation to financial instruments are made up as follows:

Amortised cost	Fair Value (designated OCI)	Fair Value (P&L)		Amortised cost*	Fair Value (designated OCI)	Fair Value (P&L)
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	Interest Costs	12	0	0
-11	0	0	Impairment Losses	0	0	0
0	0	0	Losses through Other Comprehensive Income	0	0	0
-11	0	0	Interest Payable and Similar Charges	12	0	0
-216	0	-247	Interest/dividend Income	-213	0	-178
0	0	279	Gains through Profit and Loss	0	0	-81
0	-68	0	Gains through Other Comprehensive Income	0	-168	0
-216	-68	32	Interest and Investment Income	-213	-168	-259
-227	-68	32	Net Gain (-)/Loss for the Year	-201	-168	-259

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 2021 and 2020. 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 18, 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-20		Financial Assets	31-Mar-21	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
5,945	6,088	Amortised cost - primarily bank deposits and operational debtors	5,725	5,788
12,995	12,995	Fair value	16,466	16,466
18,940	19,083	Total	22,191	22,254

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-20		Financial Liabilities	31-Mar-21	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
-1,168	-1,168	Held at cost - primarily operational creditors	-2,192	-2,192
0	0	Borrowings	0	0
-1,168	-1,168	Total	-2,192	-2,192

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

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

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

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

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with banks and financial institutions unless they have an A rating or higher. The Council has a policy of not lending more than £4m of its cash balances to any one institution. Customers are assessed, taking into account their financial position, past experience and other factors. The following analysis summarises the Council's potential exposure to credit risk grouped by category and loss allowance recognised:

	Balance at 31/3/2021 £000	Type	Loss Allowance
AAA rated Money Market Funds	11,034	Variable	N/A held at FV
UK banks A or higher	1,004	Fixed	Not material
Loans to Housing Associations	574	Mixed	Matured/secured, not material
Loans to Local Authorities	2,000	Fixed	Exempt as part of UK Gov
CCLA property fund	4,169	Variable	N/A held at FV
Subsidiary Equity and loans	2,659	Fixed	N/A mostly held at FV,
Other loans	250	Variable	
Debtors	453	Fixed	Net of existing £22k impairment allowance
Treated as non-contractual:			
Finance lease receivables	500	Fixed	Lifetime, £20k charged in year
	<u>22,643</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

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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. A £20k allowance for credit losses on trade debtors already existed as at 31 March 2020, and review in year concluded an increase to £22k was necessary.

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.

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 ranged from 0 - 0.01% per day. These accounted for £175k of income so a rise of 1% in rates would significantly increase the income to the Council. This is judged very unlikely given the current bank rate of 0.1% and commentary from the bank of England that any further rate rises will be moderate. The CCLA property fund accounted for £213k of income representing approximately 5.1% 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 2020/21 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.

18. 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 2020/21.

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Transactions during 2020/21 for long-term debtors were:

	Loans to Eden Housing Association	Finance Leases	Loan - Business Support	Loan - Leisure Contractor	Loan - Heart of Cumbria	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	573	501	250	17	560	1,901
Advances made in 2020/21	0	0	0	0	837	837
Transfer to Short Term Debtors	0	0	0	-8	0	-8
Amount repaid in 2020/21	-25	-1	0	-9	0	-35
Balance at 31 March 2021	548	500	250	0	1,397	2,695

19. 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 2021, 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:

Restated *		
2019/20		2020/21
£'000		£'000
1,676	Local Taxation	3,661
841	Housing benefits/subsidy	227
361	Other	375
204	Payment in advance	305
261	Government	716
3,343		5,284

* 2019/20 totals have been restated due to an error in the analysis between the headings, although the overall total remains the same at £3.343m.

The classification has been used to provide information in a format judged to be more in line with local priorities. There has been a large increase within the local taxation amounts, this relates primarily to the amounts due from other preceptors due to the large deficit achieved on the Collection Fund (increase of £1.816m). Within housing benefits, the reduction largely relates to a decrease in the amount of Housing Benefit Subsidy due to the Council (£0.591k). Amounts due from Government have increased additional grants being awarded after year end (£0.266m) and an increase in the amounts due from other Local Authorities (£0.140m).

20. Investments

At 31 March 2021, 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 a then 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

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redeemed, then there is a fee of 7% of the value at the time of sale applicable. In 2018/19, 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.

2019/20		2020/21
£'000		£'000
4,355	CCLA Property Fund	
	Fund Valuation at 1 April	4,199
-156	Add/(deduct) fund growth/reduction to 31 March	-30
4,199	Fund valuation at 31 March	4,169
1,000	Heart of Cumbria Equity	1,000
94	Increase in value of equity investment	262
5,293	Total Long Term Investments	5,431
54	Dividend Receivable (CCLA) at 31 March	55

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.

21. Cash and Cash Equivalents

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

2019/20		2020/21
£'000		£'000
1	Cash Held by the Council	1
55	Bank Current Accounts	-283
7,715	Short Term Deposits with Third Parties	12,039
7,771	Total Cash and Cash Equivalents	11,757

22. Assets Held for Sale

2019/20		2020/21
£'000		£'000
398	Balance at 1 April	440
0	Reclassified as surplus assets	0
	Assets newly classified/de-classified as held for sale:	
277	Land and Buildings	-197
15	Revaluation	0
-250	Assets Sold	-153
440	Balance at 31 March	90

23. Short Term Creditors

All payments made for goods and services received on or before 31 March 2021 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 2021. Significant creditors unpaid at the expiration of the two weeks are included in the accounts on an estimated basis. An analysis is shown below:

2019/20		2020/21
£'000		£'000
-515	Local Taxation	-1,787
0	Housing benefits/subsidy	0
-1,068	Other	-2,361
-2,130	Receipt in advance	-518
-974	Government	-3,937
-4,687		-8,603

The classification has been used to provide information in a format judged to be more in line with local priorities. The reasons for the large increase in Short Term Creditors at the year-end include a large increase in amounts owing to Central Government for overpaid Covid grants needing to be returned (£2.589m); an increase in the amount owing for NNDR Local Taxation due to the large deficit on the Collection Fund and overpaid s31 grants received (£1.272m); a Green Homes Grant received, but not yet spent as at 31 March (£1.032m) and a reduction in Receipts in Advance, due to the 2019/20 figure including a one-off £1.5m Government s31 payment relating to 2020/21 being received in March 2020.

24. Provisions

	Insurance Provision	NNDR Appeals Provision	Total
	£'000	£'000	£'000
Balance at 1 April 2020	19	174	193
Provisions made in 2020/21	0	202	202
Amounts used in 2020/21	0	-190	-190
Balance at 31 March 2021	19	186	205

The Council has one provision relating to Municipal Mutual Insurance Limited outstanding and a provision for outstanding NNDR appeals as at 31 March 2021:

- 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 £186k for its portion of outstanding NNDR valuation appeals; required under accounting rules in relation to the Business Rates Retention Scheme.

25. 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 2021 was £36k (2019/20: £36k). The Council is the sole trustee of these trust funds.

26. Usable Reserves

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

2019/20		2020/21
£'000		£'000
3,024	General Fund Balance	3,025
9,874	Earmarked Reserves	14,086
347	Capital Receipts Reserve	455
786	Capital Grants Unapplied	1,904
14,031	Total Usable Reserves	19,470

27. Usable Capital Reserves

Capital Receipts Reserve

2019/20		2020/21
£'000		£'000
296	Balance at 1 April	347
321	Receipts from disposal of non-current assets	251
0	Receipts from repayment of capital loans	35
-303	Receipts used to fund capital spending	-185
33	Deferred capital receipts arising	7
347	Balance at 31 March	455

Capital Grants Unapplied

2019/20		2020/21
£'000		£'000
662	Balance at 1 April	786
488	Capital Grant Receipts	1,398
-364	Grants used to fund capital spending	-280
786	Balance at 31 March	1,904

28. Unusable Reserves

2019/20		2020/21
£'000		£'000
-6,735	Revaluation Reserve	-6,729
-37,807	Capital Adjustment Account	-39,761
-7	Financial Instruments Adjustment Account	-7
-94	Financial Instruments Revaluation Reserve	-262
-275	Pooled Investment Fund Adjustment Account	-356
13,518	Pensions Reserve	15,557
-523	Deferred Capital Receipts	-516
-392	Collection Fund Adjustment Account	5,196
83	Accumulated Absence Account	221
-32,232	Total Unusable Reserves	-26,657

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.

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2019/20		2020/21
£'000		£'000
-6,608	Balance at 1 April	-6,735
-498	Upward revaluation of assets	-335
159	Downward revaluation of assets and impairment losses not charged to surplus/ deficit on provision of services	39
0	Difference between fair value depreciation and historical cost depreciation	91
0	Accumulated gains on assets sold or scrapped	221
212	Historic balance adjustment	-10
-6,735	Balance at 31 March	-6,729

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.

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 8 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

2019/20		2020/21
£'000		£'000
-37,154	Balance at 1 April	-37,807
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
305	Depreciation and impairment of non-current assets	572
33	Amortisation of intangible assets	38
369	Revenue expenditure funded from capital under statute	423
0	Difference between fair value depreciation and historical cost depreciation	-91
577	Amounts on Non-Current Assets Written Off on Disposal as Part of Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	1,028
-212	Adjusting amount written off of revaluation reserve	10
0	Reversal of Revaluation Losses on Non-Current Assets	-61
0	Historic balance adjustment	-200
	Capital financing applied in the year	
-303	Use of capital receipts reserve to finance capital expenditure	-184
-364	Capital grants credited to the Comprehensive Income and Expenditure Statement applied to capital financing	-280
-12	Statutory provision for the financing of capital investment charged to the General Fund	-12
-956	Capital expenditure charged against the General Fund Balance	-998
-112	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-2,234
22	Loans repaid in year and loss allowances charged	35
-37,807	Balance at 31 March	-39,761

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.

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2019/20		2020/21
£'000		£'000
-7	Balance at 1 April	-7
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Account	0
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements	0
-7	Balance at 31 March	-7

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.

2019/20		2020/21
£'000		£'000
-26	Balance at 1 April	-94
-68	Upward/downward (-/+) revaluation of investments	-168
-94	Balance at 31 March	-262

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.

2019/20		2020/21
£'000		£'000
-586	Balance at 1 April	-275
311	Upward/downward (-/+) revaluation of investments	-81
-275	Balance at 31 March	-356

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.

2019/20		2020/21
£'000		£'000
11,611	Balance at 1 April	13,518
279	Remeasurements of the net defined benefit liability	885
2,450	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	1,878
-822	Employer's pension contributions and direct payments to pensioners payable in the year	-724
13,518	Balance at 31 March	15,557

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Note – the change in remeasurement of the Net Defined Benefit Liability is explained in Note 44.

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.

2019/20 £'000		2020/21 £'000
-501	Balance at 1 April	-523
-22	Deferred Capital Receipts in Year	0
0	Transfer to the Capital Receipts Reserve on receipt of cash	7
-523	Balance at 31 March	-516

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.

2019/20 £'000		2020/21 £'000
48	Balance at 1 April	-392
-440	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	5,588
-392	Balance at 31 March	5,196

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.

2019/20 £'000		2020/21 £'000
70	Balance at 1 April	83
-70	Settlement or cancellation of accrual made at the end of the preceding year	-83
83	Amounts accrued at the end of the current year	221
13	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	138
83	Balance at 31 March	221

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

The Cash Flow Statement for 2020/21 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.

2019/20 £'000		2020/21 £'000
-2,007	Surplus / (-) Deficit on the Provision of Services	275
	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	
338	Depreciation, Amortisation and Impairment Charges	579
1,628	Pension Costs	1,154
577	Carrying amount of non-current assets disposed of	1,028
116	Decrease (-) / increase in inventories and debtors	-1,037
1,508	Decrease/increase (-) in creditors and provisions	3,774
37	Other non-cash items charged to the net surplus or deficit on the provision of services	-2,203
4,204		3,295
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-488	Capital grants receivable	-1,398
-343	Proceeds from sale of property, plant and equipment, investment property and intangible assets	-251
-831		-1,649
1,366	Net cash flow from operating activities	1,921

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
407	Interest and dividends received	466
0	Interest paid	(12)

31. Cash Flow Statement – Investing Activities

2019/20		2020/21
£'000		£'000
-764	Purchase of property, plant and equipment investment property and intangible assets	-1,183
-9,018	Purchase of short and long term investments	-4,000
-510	Long term loans granted	0
343	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	258
11,008	Proceeds from short and long term investments	6,018
527	Other receipts from investing activities	1,390
1,586		2,483

32. Cash Flow Statement – Financing Activities

2019/20		2020/21
£'000		£'000
-28	Repayment of short and long term borrowing	0
850	Other payments for financing activities	-418
822	Net cash flows from financing activities	-418

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) increased significantly over the period increasing the amounts due from preceptors for their shares of the deficit on the fund.

33. Expenditure and Income Analysed by Nature

2019/20		2020/21
£'000		£'000
	Income	
-3,722	Fees, Charges and Other Service Income	-4,065
-1,128	Interest and Investment Income	-1,351
-5,000	Income from Council Tax	-5,181
-3,076	Income from Business Rates (NNDR)	-3,376
-17,247	Government Grants and Contributions	-20,081
-30,173	Total Income	-34,054
	Expenditure	
6,820	Employee Expenses	7,171
256	Loss on disposal of fixed assets	777
16,657	Other Service Expenses	16,931
338	Depreciation, Amortisation and Impairment	579
302	Interest Payable	365
7,807	Tariff, Precepts and Levies	7,956
32,180	Total Operating Costs	33,779
2,007	Surplus/ Deficit on Service Provision	-275

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The following transactions relate to external receipts:

2019/20 £'000 Customer Receipts		2020/21 £'000 Customer Receipts
-12	Commercial Services Portfolio	-7
-34	Communities Portfolio	-17
-567	Eden Development Portfolio	-505
-377	Housing and Health Portfolio	-83
-16	Leader Portfolio	-45
-2,112	Resources Portfolio	-1,751
-819	Services Portfolio	-492
-3,937		-2,900

34. 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:

	2019/20 £000	2020/21 £000
Licensing and environmental health	-236	-184
Cemeteries	-113	-136
Development Control	-567	-505
Building Regulations	-256	-210
Land Charges	-79	-72
Parking	-362	-55
Leisure and culture	-54	-27
Rentals	-1,070	-1,045
Treasury income	-466	-396
Housing contributions *	-293	0
Other	-441	-270
	-3,937	-2,900

* Housing contributions have been removed from the analysis as they relate to s106 contributions that are not General Fund income. In 2020/21, all s106 income were restated as Long Term Creditors, transferred from Earmarked Reserves, and will be accounted for correctly when they are utilised, in accordance with accounting guidelines.

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). 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

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March 2021. 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 £79k for planning income (2019/20 £44k)
- reduce the income in the Services Portfolio by £126k relating to Building Control inspection fees (2019/20 £114k).

The cash has been received for these so are presented as income in advance on the Council's balance sheet. 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 2021 there were receipts in advance of £135k (31 March 2020: £135k).

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 charged against the CIES in 2018/19. Upon review, this allowance was still deemed adequate so there was no charge to the CIES in the current financial year.

35. 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.

36. Members' Allowances

The total cost of payments to Members during the year was £208k (2019/20: £218k). This was made up as follows.

2019/20		2020/21
£'000		£'000
197	Allowances	201
14	Car mileage	0
7	IT expense allowance	7
218		208

37. Officers' Remuneration

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a. Senior Employees

The Accounts and Audit Regulations 2020 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 Assistant Director level and above.

Post Title	Year	Salary* £	Expenses and Allowances* £	Exit package £	Total Remuneration Excluding Pension Contributions £	ERS Pension Cont.** £	Total Remuneration Including Pension £
Chief Executive ***	2020-2021	46,769	72	99,595	146,436	9,120	155,556
Director of People and Place/Deputy Chief Executive ***	2020-2021	78,365	96	0	78,461	15,281	93,742
Assistant Director Commissioning & Technical Services ****	2020-2021	48,312	0	31,910	80,222	9,421	89,643
Assistant Director Governance	2020-2021	54,321	0	0	54,321	10,592	64,913
Assistant Director Community Services	2020-2021	52,904	0	0	52,904	10,316	63,220
Assistant Director Planning and Economic Development	2020-2021	52,654	0	0	52,654	10,267	62,921

Post Title	Year	Salary* £	Expenses and Allowances* £	Exit package £	Total Remuneration Excluding Pension Contributions £	ERS Pension Cont.** £	Total Remuneration Including Pension £
Chief Executive	2019-2020	109,566	757	0	110,323	17,915	128,238
Director of Corporate Services	2019-2020	69,748	256	58,565	128,569	11,406	139,975
Assistant Director Commissioning & Technical Services	2019-2020	52,704	673	0	53,377	8,643	62,020
Assistant Director Community Services	2019-2020	52,704	0	0	52,704	8,643	61,347
Assistant Director Planning and Economic Development	2019-2020	52,988	14	0	53,002	697	53,699
Head of Policy, Performance and HR	2019-2020	30,472	31	31,912	62,415	5018	67,433

+ Including honoraria where applicable. In 2020/21, this includes an honorarium of £5,000 paid to the Director of People and Place for acting-up to the role of Deputy Chief Executive. In 2019/20, a total of £3,674 was paid to the Director of Corporate Services for Election/Returning Officer duties. There were no payments of this kind in 2020/21.

* 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.

*** From the 01 January 2021, the post of Chief Executive was filled through a sharing agreement with Carlisle City Council. The post had remained vacant since the departure of the previous post-holder at the end of August 2020. The Director of People and Place was appointed to act in the role of Deputy Chief Executive at the same time.

**** The post of Assistant Director Commissioning & Technical Services was removed from the management structure in February 2021.

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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 were no other officers whose remuneration exceeded £50k in 2020/21, other than those already disclosed above and so no additional banding note has been produced.

c. Chief Executive

From 01 January 2021, the post of Chief Executive has been filled through a sharing agreement with Carlisle City Council. For the period to 31 March 2021, payments for this agreement totalled £12k for 2020/21. There was no similar arrangement for prior periods.

d. Exit Packages

There were 4 termination payments agreed in 2020/21 with a total value of £289k (3 in 2019/20, value £89k). 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 2 agreements, no further disaggregation is disclosed.

38. External Audit Fees

In 2020/21, the Council incurred the following fees from the appointed auditor, Grant Thornton UK LLP:

2019/20		2020/21
£'000		£'000
45	Fees payable in respect of audit services for current year	45
8	Additional fees payable in respect of prior year	53
7	Certification of Housing Benefit Subsidy claim	9
-4	Rebate from Public Sector Audit Appointments	0
56		107

The Housing Benefits grant certification work will be performed by Mazars LLP for 2020/21. The audit fees include additional charges which increased in the year 2019/20 for remote working due to Covid 19, a revaluations exercise and audit delays.

39. Grant Income and Other Contributions

The Authority credited the following Grants and Contributions to the Comprehensive Income and Expenditure Statement as per the table below:

2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non-Specific Grant Income	
	<i>Non-Ringfenced Government Grants (see Note 12)</i>	
611	New Homes Bonus	697
677	Rural Services Delivery Grant	678
	Covid 19 Grants	
0	• Local Authority Support Grant	737
0	• Sales, Fees and Charges Grant	163
19	New Burdens Grants	357
0	Other Grants	53
1,307		2,685
	<i>Other Grants and Contributions</i>	
1,418	NNDR s31 Grants	7,452
0	Capital Grants and Contributions	856
2,725	Total	10,993
	Credited to Services	
	Covid 19 Grants	
0	• Council Tax Hardship Fund	307
0	• Contain Management Outbreak Fund	96
0	• New Burden Funding	19
0	• National Leisure Recovery Fund	87
0	• Test and Trace Payments	104
0	• Self-Isolation Funding	81
0	• BID Support Grant	9
0	• Compliance and Enforcement	24
0		727
7,234	Housing Benefit Subsidy	7,017
148	Discretionary Housing Payments	160
478	Better Care Fund: Disabled Facilities Grants	542
87	Housing Benefit Administration Subsidy	92
41	Council Tax Benefit Administration Subsidy	25
14	Local Council Tax Scheme	57
35	Brexit funding	0
338	Elections	21
95	Homelessness Grant	236
58	Generic housing grant funding	26
203	Other Grants and contributions < £50k	185
8,731	Total Grants	9,088

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.

40. Related Party Transactions

The Council is required to disclose material transactions with related parties - 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. Related parties include:

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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 Non Domestic Rates tariff, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits). Grants received from Government Departments are set out in Note 39.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2020/21, no works and services 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.

There were no Members who served on the board of Heart of Cumbria Limited during the year as all had resigned their positions during 2019/20. These were Councillors Gordon Nicolson, John Owen and Paula Breen. There was one Council Officer who served during the year but no non-Council board members as they too had resigned during 2019/20. 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

Senior Council Officers may exert influence over the Council's financial and operating policies. Declarations were received by all senior Officers and no relevant related-party transactions were declared for the year ended 31 March 2021.

Partnership Working

During 2020/21 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operation related to the shared ICT Service, managed by South Lakeland District Council.

Other Public Bodies

Precepts were raised for Cumbria County Council, Cumbria Police and Crime Commissioner and local Town and Parish Councils within the Eden area. Details of these are contained within the Collection Fund statements.

41. Capital Expenditure and Capital Financing

2019/20 £'000		2020/21 £'000
375	Opening Capital Financing Requirement	363
	Capital Investment in Year:	
657	Property, Plant and Equipment	149
87	Intangible Assets	0
0	Infrastructure Assets	35
0	Vehicles, Plant, Furniture & Equipment	17
0	Assets Under Construction	1,024
510	Long Term Debtors (capital loans)	837
369	Revenue Spending funded from Capital Under Statute	423
1,623		2,848
	Financed by:	
956	Revenue Contribution	998
303	Capital Receipts	185
364	Capital Grants	279
12	Minimum Revenue Provision	12
363	Closing Capital Financing Requirement	1,374
	Explanation of Movements in Year	
-12	Increase/Decrease (+/-) in underlying need to borrow (unsupported by Government financial assistance)	1,011
-12	Increase/Decrease (+/-) in Capital Financing Requirement	1,011

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.

42. 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 2020/21 was £12k (2019/20: £12k).

43. Leases**Authority as Lessor****Finance Leases**

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 119 years remaining at 31 March 2021. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

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

The gross investment is made up of the following amounts:

31-Mar-20 £'000		31-Mar-21 £'000
	Finance lease debtor (net present value of minimum lease payments):	
0	Current	0
501	Non-Current (Long Term Debtor)	500
2,000	Unearned finance income	1,979
315	Unguaranteed residual value of property	320
2,816	Gross investment in the lease	2,799

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

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	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
Not later than one year	21	21	21	21
Later than one year and not later than 5 years	84	84	84	84
Later than five years	2,711	2,694	1,895	1,874
	2,816	2,799	2,000	1,979

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 and this was charged in 2018/19. No further charge for 2020/21 has been deemed necessary. 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 2020/21, no contingent rents were receivable by the Authority (2019/20: £0).

Operating Leases

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

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

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

31-Mar-20 £'000		31-Mar-21 £'000
1,030	Not later than one year	1,052
3,822	Later than one year and not later than five years	3,742
116,744	Later than five years	114,570
121,596		119,364

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 2020/21, no contingent rents were receivable by the Council (2019/20: £0). The future minimum lease payments as at 31 March 2021 include £115.6m relating to the lease of the Penrith New Squares Scheme.

44. 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.

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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 2020/21:

2019/20 £'000		2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,458	Current Service Cost	1,444
666	Past Service Cost	0
13	Effect of Curtailments	81
	Financing and Investment Income and Expenditure:	
313	Net Interest Cost (including cost of administration)	353
2,450	Net Charge to the Provision of Services	1,878
	Other Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
2,047	Experience Gain/Loss on liabilities	-1,346
1,759	Remeasurement of Assets	-8,371
-1,034	Loss /(-)Gain on Financial Assumptions	10,602
-2,493	Loss /(-)Gain on Demographic Assumptions	0
279	Total Benefits Charged to the Comprehensive Income and Expenditure Statement	885
	Movement in Reserves Statement	
-1,628	Reverse charges made for retirement benefits re IAS 19	-1,154
	Amounts charged against General Fund for Pensions	
822	Employer's Contributions payable	724

Included in 2019/20 was a total of £666k related to Guaranteed Minimum Pension indexation and equalisation. This cost arose following a court judgement on a different Public Sector Pension Scheme which led to a reassessment of liabilities relating to active members of the Local Government Pension Scheme who joined the fund prior to 1 April 2012. There is no comparative charge against 2020/21.

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:

2019/20 £'000		2020/21 £'000
-64,806	Present Value of Defined Benefit Obligation	-75,972
51,288	Fair Value of Plan Assets	60,415
-13,518	Net Liability	-15,557

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2019/20 £'000		2020/21 £'000
52,974	1st April	51,288
1,258	Interest Income	1,226
-1,759	Remeasurements	8,371
-34	Administration Expenses	-36
822	Employer Contributions	724
276	Employee Contributions	284
-2,249	Benefits Paid	-1,442
51,288	31 March	60,415

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

2019/20 £'000		2020/21 £'000
-64,585	1st April	-64,806
-1,458	Current Service Cost	-1,444
-1,537	Interest on Scheme Liabilities	-1,543
-276	Employee Contributions	-284
-679	Past service cost and Curtailments	-81
	Remeasurements:	
-2,047	Gain/Loss (-) on Experience	1,346
1,034	Gain/Loss (-) on Financial Assumptions	-10,602
2,493	Gain/Loss (-) on Demographic Assumptions	0
2,249	Benefits Paid	1,442
-64,806	31 March	-75,972

Local Government Pension Scheme Assets Comprised:

2019/20 £'000		2020/21 £'000
	Equities	
5,129	UK quoted	5,536
10,258	Global quoted	17,629
3,590	Overseas equity pooled	0
	Bonds	
0	UK corporate bonds	9
11,796	UK Government index pooled	10,646
	Property	
3,026	UK	3,245
1,436	Property funds	1,611
	Alternatives	
359	Healthcare Royalties	0
1,898	Private equity funds	0
3,795	Infrastructure funds	7,253
205	Real Estate Debt Fund	2,471
1,641	Private Debt Fund	0
6,155	Multi Asset Credit	9,522
	Cash	
1,949	Cash accounts	2,494
51	Net current assets	-1
51,288		60,415

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 2019. The principal assumptions used by the actuary have been:

31-Mar-20		31-Mar-21
%	Long Term Expected Rate of Return on Scheme Assets	%
2.1	Rate of CPI inflation	2.7
3.6	Rate of increase in salaries	4.2
2.2	Rate of increase in pensions	2.8
2.4	Discount rate	2.1
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
22.6	Male	22.7
25.2	Female	25.3
	Longevity at 65 for future pensioners:	
24.2	Male	24.3
27.1	Female	27.2

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

	Increase/decrease (+/-) in net liability £'000
Central Projection	15,557
+1 year increase in life expectancy	2,294
0.1% increase in inflation	1,257
0.1% increase in salaries	139
0.1% increase in discount rate	-1,236

c. Impact on the Council's Cash Flows

For budgeting purposes, the actual contributions rates that are charged against the General Fund are set on a tri-annual basis by the Actuary to meet the net liabilities as measured at that date. The contributions required may vary in future depending on conditions at the time of subsequent valuations. The tri-annual valuations were completed for 31 March 2021.

The Council expects to pay £669k in employer contributions to the scheme in 2021/22 (£640k in 2020/21). The weighted average duration of the defined benefit obligation for scheme members is sixteen years.

45. 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.

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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 2021. 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 24). 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. The initial claim was rejected by the High Court but leave to appeal this decision was granted in July 2020. No claim has yet been submitted within the District but should a claim be submitted and be successful, the potential liability is estimated to be £1.1m.

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Collection Fund for the Year Ending 31 March 2021

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2019/20 Business Rates £'000	2019/20 Council Tax £'000	2019/20 Total £'000		2020/21 Business Rates £'000	2020/21 Council Tax £'000	2020/21 Total £'000	Notes
			Income				
0	-38,688	-38,688	Income from Council Tax	0	-40,136	-40,136	1
-21,744	0	-21,744	Income Collectable from Business Ratepayers	-8,027	0	-8,027	3
-350	0	-350	Business Rates Transitional Protection Payment	0	0	0	
-22,094	-38,688	-60,782	Total Income	-8,027	-40,136	-48,163	
			Expenditure				
			Precepts and Demands				
0	5,029	5,029	Eden District Council	0	5,220	5,220	2
0	28,559	28,559	Cumbria County Council	0	29,879	29,879	2
0	5,292	5,292	Cumbria Police and Crime Commissioner	0	5,509	5,509	2
			Business Rates				
10,837	0	10,837	Central Government	10,721	0	10,721	3
8,669	0	8,669	Eden District Council	8,577	0	8,577	3
2,167	0	2,167	Cumbria County Council	2,144	0	2,144	3
			Charges to Collection Fund				
12	40	52	Write-Offs of Uncollectable Amounts	-1	17	16	
-43	1	-42	Increase/ (-)Decrease in Provision for credit loss	44	210	254	
-36	0	-36	Increase/ (-)Decrease in Provision for Appeals	30	0	30	3
13	0	13	Renewable Energy Retention	15	0	15	
126	0	126	Cost of Collection Allowance	125	0	125	3
21,745	38,921	60,666	Total Expenditure	21,655	40,835	62,490	
-349	233	-116	Surplus/Deficit (-/+) During the Year	13,628	699	14,327	
			Share of PY surplus/deficit (-/+)				
-285	0	-285	Central Government	122	0	122	
0	-98	-98	Cumbria Police and Crime Commissioner	0	-52	-52	
-228	-102	-330	Eden District Council	97	-50	47	
-57	-563	-620	Cumbria County Council	24	-283	-259	
-919	-530	-1,449	Surplus/deficit (-/+) inc py adjustment	13,871	314	14,185	
-186	916	730	Surplus/Deficit (-/+) Brought Forward	-1,105	386	-719	
-1,105	386	-719	Surplus/Deficit (-/+) Carried Forward	12,766	700	13,466	5

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 20,741.45.

The expenditure requirement of the Collection Fund (net of parish precepts and Special Expenses) of £4,060,138 is divided by the Tax Base to give the Band D tax of £195.75. 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 (£)	130.50	152.25	174.00	195.75	239.25	282.75	326.25	391.50
Band D equivalents	1,877.61	4,347.51	4,286.16	4,273.07	3,826.89	1,441.70	617.66	70.85

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 £59.0m at 31 March 2021, compared with £58.3m at 31 March 2020. The NNDR multiplier for the year was 51.2p in the pound, with a reduced rate of 49.9p for smaller businesses (50.4p and 49.1p in 2019/20). The multiplier is set nationally by the Government.

4. Impact of the Business Rates Retention Scheme

Under the BRRS, NNDR is apportioned among the Council, Cumbria County Council and Government. Surplus/deficit balances are carried forward in the Collection Fund similar to that for Council Tax at 31 March 2021. 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.

As at 31 March 2021, due to additional reliefs given to businesses during the Covid pandemic, the Business Rates element of the Collection Fund was in deficit in the amount of £12,766k, compared to a surplus of £1,105k at 31 March 2020. Under the scheme, 40% of this total will fall to be met by Eden Council (£5,106k) but this has been fully funded by the Government by s31 Grants received in 2020/21. A corresponding amount has been placed into an Earmarked Reserve, to be utilised in future years when the deficit will fall to be met by the General Fund.

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5. Allocation of Collection Fund Balances

2019/20		2020/21		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
-392	Eden District Council	5,106	90	5,196
-552	Central Government	6,383	0	6,383
172	Cumbria County Council	1,277	515	1,792
53	Cumbria Police and Crime Commissioner	0	95	95
-719		12,766	700	13,466

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 £1.262m 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.

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
Balance at 31.3.20		12,992	347	786	14,124	32,139	46,263
Surplus/deficit on provision of services (accounting basis)		443	0	0	443	0	443
Other Comprehensive Expenditure and Income		0	0	0	0	-579	-579
Total Comprehensive Expenditure and Income		443	0	0	443	-579	-136
Adjustments between accounting basis and funding basis under regulations	8	3,938	108	1,118	5,164	-5,164	0
Increase/decrease in year		4,381	108	1,118	5,607	-5,743	-136
Balance at 31.03.21		17,373	455	1,904	19,731	26,396	46,127

The comparative figures from 2019/20 are below:

	Note	Usable Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31.3.19		14,041	296	662	14,999	33,153	48,152
Surplus/deficit on provision of services (accounting basis)		-1,938	0	0	-1,938	0	-1,938
Other Comprehensive Expenditure and Income		0	0	0	0	50	50
Total Comprehensive Expenditure and Income		-1,938	0	0	-1,938	50	-1,888
Adjustments between accounting basis and funding basis under regulations		889	51	124	1,064	-1,064	0
Increase/decrease in year		-1,049	51	124	-874	-1,014	-1,888
Balance at 31.3.20		12,992	347	786	14,125	32,139	46,264

Group Comprehensive Income and Expenditure Statement

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

2019/20 Gross Expend £'000	2019/20 Gross Income £'000	2019/20 Net Expend £'000		2020/21 Gross Expend £'000	2020/21 Gross Income £'000	2020/21 Net Expend £'000
			Expenditure on Services			
558	-77	481	Commercial Services Portfolio	823	-72	751
960	-44	916	Communities Portfolio	886	-27	859
1,019	-586	433	Eden Development Portfolio	1,113	-525	588
2,188	-1,052	1,136	Housing and Health Portfolio	2,412	332	2,744
946	-98	848	Leader Portfolio	1,962	-874	1,088
13,129	-8,742	4,387	Resources Portfolio	11,834	-8,013	3,821
4,217	-1,488	2,729	Services Portfolio	4,527	-1,284	3,243
23,017	-12,087	10,930	Cost of Services	23,557	-10,463	13,094
1,674	-321	1,353	Other Operating Expenditure	2,188	-251	1,937
633	-1,609	-976	Financing and Investment Income and Expenditure	378	-3,792	-3,414
7,170	-16,539	-9,369	Taxation and Non-Specific Grant Income	7,773	-19,833	-12,060
32,494	-30,556	1,938	Surplus/Deficit on the Provision of Services (-/+)	33,896	-34,339	-443
0	-354	-354	Surplus/Deficit on Revaluation of Non-Current Assets	0	-306	-306
93	-68	25	Surplus on Revaluation of Financial Assets	0	0	0
3,806	-3,527	279	Remeasurement of the Net Defined Benefit Liability	10,602	-9,717	885
3,899	-3,949	-50	Other Comprehensive Income and Expenditure	10,602	-10,023	579
36,393	-34,505	1,888	Total Comprehensive Income and Expenditure	44,498	-44,362	136

Group Balance Sheet as at 31 March 2021

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

31 March 2020		31 March 2021	Notes
£'000		£'000	
24,449	Property, Plant and Equipment	25,952	G1
790	Heritage Assets	790	
17,677	Investment Property	19,911	
364	Intangible Assets	325	
4,199	Long Term Investments	4,169	G2
1,621	Long Term Debtors	1,648	G3
49,100	Total Long Term Assets	52,795	
14	Inventories	14	
3,464	Short Term Debtors	5,219	G4
4,018	Short Term Investments	2,000	
7,819	Cash and Cash Equivalents	11,760	G5
440	Assets Held for Sale	90	
15,755	Total Current Assets	19,083	
-4,707	Short Term Creditors	-8,619	G6
-209	Provisions	-250	
-4,916	Total Current Liabilities	-8,869	
-157	Long term creditors	-1,325	
-13,518	Pension Liability	-15,557	
-13,675	Total Long Term Liabilities	-16,882	
46,264	Net Assets	46,127	
-14,125	Usable Reserves	-19,731	
-32,139	Unusable Reserves	-26,396	
-46,264	Total Reserves	-46,127	

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.

2019/20 £'000		2020/21 £'000	Note
-1,938	Net Surplus or deficit (+/-) on Service Provision	443	
4,381	Adjust net surplus or deficit on the provision of services for non-cash movements	4,107	G8
-832	Adjust for items included in the new surplus or deficit on the provision of services that are investing and finance activity	-1,649	
1,611	Net Cash Flow from Operating Activities	2,901	
1,350	Net cash flows from investing activities	1,458	G9
822	Net cash flows from financing activities	-418	
3,783	Net Increase/Decrease in Cash and Cash Equivalents	3,941	
4,036	Cash and cash equivalents at 1 April	7,819	
7,819	Cash and cash equivalents at 31 March	11,760	
3,783	Net Increase/Decrease (+/-) in Cash and Cash Equivalents	3,941	

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Notes to the Group Accounts	
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

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G1. Property, Plant and Equipment

The table below sets out the transactions relating to Property, Plant and Equipment in 2020/21:

	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation at 1.4.20	22,414	774	0	2,211	180	374	25,953
Additions	1,174	17	1,024	35	0	0	2,250
Depreciation written out on revaluation	-158	0	0	0	0	0	-158
Revaluations – Revaluation Reserve	331	0	0	0	0	-35	296
Revaluations - Recognised in the cost of services	227	0	0	0	0	0	227
Disposals	-115	-462	0	-1,648	0	0	-2,225
Reclassification from Assets Held for Sale	0	0	0	0	0	197	197
Cost/Valuation at 31.3.21	23,873	329	1,024	598	180	536	26,540
Accumulated Depreciation and Impairment 1.4.20	-80	-553	0	-871	0	0	-1,504
Depreciation charge	-426	-56	0	-110	0	0	-592
Depreciation written out on revaluation	158	0	0	0	0	0	158
Write out on disposal	4	462	0	884	0	0	1,350
As at 31.3.21	-344	-147	0	-97	0	0	-588
Net Book Value 31.3.21	23,529	182	1,024	501	180	536	25,952
Net Book Value 31.3.20	22,334	221	0	1,340	180	374	24,449

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

Comparative movements in 2019/20 were:

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	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation at 1.4.19	21,829	668	0	1,947	180	751	25,375
Additions	933	106	0	264	0	0	1,303
Revaluations - Revaluation Reserve	-191	0	0	0	0	0	-191
Revaluations - Recognised in the cost of services	176	0	0	0	0	0	176
Disposals	-333	0	0	0	0	0	-333
Reclassification	0	0	0	0	0	-377	-377
Cost/Valuation at 31.3.20	22,414	774	0	2,211	180	374	25,953
Accumulated Depreciation and Impairment 1.4.2019	-323	-516	0	-774	0	0	-1,613
Depreciation charge	-372	-37	0	-97	0	0	-506
Impairment (losses)/ reversals recognised in CIES*	82	0	0	0	0	0	82
Impairment (losses)/ reversals recognised in revaluation Reserve*	527	0	0	0	0	0	527
Write out on disposal	6	0	0	0	0	0	6
As at 31.3.20	-80	-553	0	-871	0	0	-1,504
Net Book Value 31.3.20	22,334	221	0	1,340	180	374	24,449
Net Book Value 31.3.19	21,506	152	0	1,173	180	751	23,762

A revaluation has been carried out by Walton Goodland in 2020/21, 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. Land and buildings have been revalued in full in 2020/21, with all other Leisure assets last being valued in 2019/20. Market information has been reviewed to provide assurance that all leisure assets are still fairly stated as at 31 March 2021.

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

	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	0	182	1,024	501	180	0	1,887
Valued at current value at:							
31-Mar-20	14,651	0	0	0	0	0	14,651
31-Mar-21	8,878	0	0	0	0	536	9,414
Total	23,529	182	1,024	501	180	536	25,952

The major operational assets of the Council are as follows:

Number at 31 March 2020		Number at 31 March 2021
2	Administrative Buildings	2
4	Sports Centres/Swimming Pools	4
20	Affordable housing units	37
16	Car Parks	15
10	Public Conveniences	9
19	Parks and Areas of Open Space	19
6	Cemeteries	6
77		92

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 a then 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.

31-Mar-20		31-Mar-21
£'000	CCLA Property Fund	£'000
4,355	Fund Valuation at 1 April	4,199
-156	Add/(deduct) fund growth/reduction to 31 March	-30
4,199	Fund valuation at 31 March	4,169
4,199	Total Long Term Investments	4,169
54	Dividend Receivable (CCLA) at 31 March	55

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 £1,262k equity investment balance) and the long term debtors notes below (removal of loan £1,397k, addition of long term and short term debtors for the £350k 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 2021.

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 2020/21.

Transactions during 2020/21 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
Balance at 1 April 2020	573	501	250	17	280	1,621
Advances made in 2020/21	0	0	0	0	0	0
Transfer to Short Term Debtors	0	0	0	-8	0	-8
Amount repaid in 2020/21	-25	-1	0	-9	0	-35
Reclassified as Long Term Debtor	0	0	0	0	70	70
Balance at 31 March 2021	548	500	250	0	350	1,648

G4. Short Term Debtors

Short Term debtors were as follows:

31-Mar-20		31-Mar-21
£'000		£'000
1,676	Local Taxation	3,661
841	Housing benefits/subsidy	227
208	Housing deposit	0
139	Other	310
509	Payment in advance	305
91	Government	716
3,464		5,219

G5. Cash and cash equivalents

Cash and cash equivalents were made up as follows:

31-Mar-20		31-Mar-21
£'000		£'000
1	Cash Held by the Council	1
55	Bank Current Accounts	-283
48	Heart of Cumbria Current Account	3
7,715	Short Term Deposits with Third Parties	12,039
7,819	Total Cash and Cash Equivalents	11,760

G6. Short Term Creditors

Short-term creditors were made up as follows:

31-Mar-20		31-Mar-21
£'000		£'000
-515	Local Taxation	-1,787
0	Housing benefits	0
-1,088	Other	-2,377
-2,130	Receipt in advance	-518
-974	Government	-3,937
-4,707		-8,619

G7. Capital Expenditure and Financing

2019/20		2020/21
£'000		£'000
325	Opening Capital Financing Requirement	313
	Capital Investment in Year:	
1,303	Property, Plant and Equipment	1,174
87	Intangible Assets	0
0	Infrastructure Assets	35
0	Vehicles, Plant, Furniture & Equipment	17
0	Assets Under Construction	1,024
369	Revenue Spending funded from Capital Under Statute	423
1,759		2,673
	Financed by:	
1,092	Revenue Contribution	1,186
303	Capital Receipts	185
364	Capital Grants	279
12	Minimum Revenue Provision	12
313	Closing Capital Financing Requirement	1,324
	Explanation of Movements in Year	
-12	Increase/Decrease (+/-) in underlying need to borrow (unsupported by Government financial assistance)	1,011
-12	Increase/Decrease (+/-) in Capital Financing Requirement	1,011

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

The Cash Flow Statement for 2020/21 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.

2019/20		2020/21
£'000		£'000
-1,938	Surplus/Deficit (+/-) on the Provision of Services	443
	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	
338	Depreciation, Amortisation and Impairment Charges	413
1,628	Pension Costs	1,154
577	Carrying amount of non-current assets disposed of	1,028
270	Decrease (-) / increase in inventories and debtors	-84
1,531	Decrease/increase (-) in creditors and provisions	3,803
37	Other non-cash items charged to the net surplus or deficit on the provision of services	-2,207
4,381		4,107
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-488	Capital grants receivable	-1,398
-344	Proceeds from sale of property, plant and equipment, investment property and intangible assets	-251
1,611	Net cash flow from operating activities	2,901

G9. Cash Flow Statement – Investing Activities

2019/20		2020/21
£'000		£'000
-1,511	Purchase of property, plant and equipment investment property and intangible assets	-2,208
-9,018	Purchase of short and long term investments	-4,000
0	Long term loans granted	0
344	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	258
11,008	Proceeds from short and long term investments	6,018
527	Other receipts from investing activities	1,390
1,350		1,458

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

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