South Lakeland District Council

Statement of Accounts & Annual Governance Statement 2016/17

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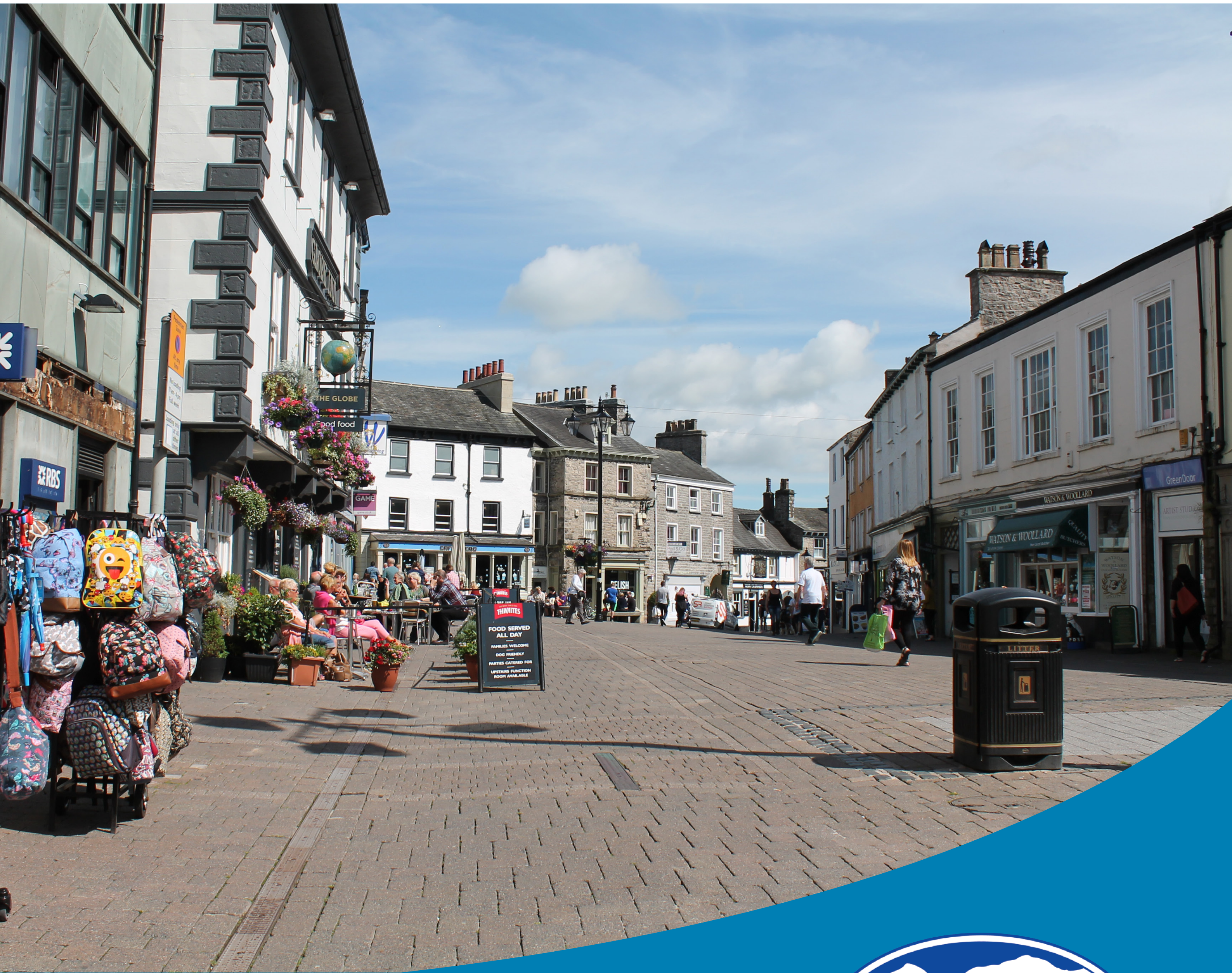

Audited

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts and AGS 2016/17

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INTRODUCTION

This statement of accounts contains the financial performance and position of the Council as it aims to deliver the Council Plan. Over the last 12 months, the Council has continued to provide services and deliver its Council Plan through openness, excellence and valuing people. These values are central to the way the Council operates in working for the residents of South Lakeland, providing business as-usual services and seizing opportunities for new activity which could be beneficial to the district.

The Council Plan contains four key priorities:

- Enabling and delivering opportunities for sustainable growth
- Providing homes to meet needs
- Improving health and reducing health inequalities
- Protecting and enhancing our environment

To achieve these priorities, the Council relies on financial and non-financial resources:

Members and workforce

The Council has 51 elected Members and around 400 (full time equivalent) staff. In 2002, following the Local Government Act 2000, the council adopted a Leader and Cabinet style decision making structure. During 2016/17 the Cabinet was made up of seven Liberal Democrat councillors who were responsible for implementing policies and decisions. The rules governing the way the council operates are set down in the Constitution which is available via the Council's website.

During 2016/17, the Council ran a 'commissioning model' of overview and scrutiny, with one main Overview and Scrutiny Committee made up of twelve councillors, and a Performance Sub-Committee which had a membership of six. Both committees met quarterly and there is an additional meeting of the main committee in January of each year to consider the draft Council Budget. A number of other committees deal with specific areas of council business. These include: Planning, Licensing, Accounts, Audit, Human Resources, Lake Admin and Standards.

The Council has a Chief Executive, Lawrence Conway, and two Directors; Debbie Storr, Director of Policy and Resources and David Sykes, Director of People and Places. There are 4 Assistant Directors to cover the 4 main management segments:

- Resources - Finance, Revenues and Benefits, HR, Legal and Democratic Services
- Performance and Innovation - IT, Policy and Performance, Electoral Services
- Strategic Development - Development Management, Planning Policy, Housing and Homelessness, Asset Management and Economic Development.
- Neighbourhood Services - Waste Collection and Recycling, Licensing and Environmental Health, Leisure Services and Car Parking.

The Council's elected Members have sought to work collaboratively with all public services and other key partners to reduce duplication of work and improve customer service. In 2014 the Council achieved the Investors in People (IIP) silver standard and have maintained the IIP standard since. This supports our commitment to staff and Member development. The introduction of a new apprenticeship scheme in 2015 has enabled opportunities for young people into work at South Lakeland District Council.

Physical assets

The Council owns a broad range of operational and investment assets throughout the District. The Council's main administrative centre is South Lakeland House, based in Kendal. The Council operates a number of car parks in the district and owns the bed of Lake Windermere. It also owns leisure centres in Kendal and Ulverston, Braithwaite Fold Caravan Park and the Coronation Hall in Ulverston, but does not directly operate these assets.

The Council will look at opportunities to make the best use of its assets, investing to save and increase income and revenue when and where appropriate to do so. Where there is an appetite and sound rationale, the Council will seek opportunities to devolve services and transfer or sell local assets to town and parish councils and community groups.

Financial resources overview

The Council has delivered a balanced budget while protecting front-line services and key ongoing projects like the plastics and cardboard kerbside recycling roll-out. This year's budget included several growth proposals, including investment to strengthen economic development activities and providing the funds to support 'green' projects such as promoting carbon reduction, energy efficiency schemes and supporting cycling initiatives.

The Council has identified savings through its own back-office efficiencies to ensure it continues to achieve a balanced budget going forward (see MTFP section, p12); the Council allocated more than £1m of reserves to meet the costs related to the extreme flooding event in December 2015.

The Council will continue to deliver its vision via sustainable and cost effective services. The Council's net revenue service budget for 2017/18 totals £15.89m. Efficiencies totalling £130k are included in the current Five Year Medium Term Financial Plan. The deficits are projected to rise to £1.21m in 2021/22. £850k of this will be met through the Customer Connect Programme with options to meet the balancing circa £500k currently under development.

This narrative review and the statement of accounts set out in more detail the financial performance and position for 2016/17 as well as more information around the future financial plan. Together, these will demonstrate that the Council is in a strong, sustainable position to continue delivering the Council plan priorities.

STATEMENT OF ACCOUNTS

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2016/17, and incorporates all the financial statements and disclosure notes required by statute.

It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. This specifies the accounting principles and practices required to prepare the Statement of Accounts which "presents a true and fair view" of the financial position and transactions of the Council. The main change for 2016/17 is the introduction of presentational changes following CIPFA's 'telling the story' consultation.

The aim of these changes is to help readers of the accounts understand the underlying financial performance. Up to 2015/16, the Cost of Services was presented in a standard format for all Councils (CIPFA's Service Reporting Code of Practice, SeRCOP, and prior to that the Best Value Accounting Code of Practice, BVACOP). Reporting has now been aligned to the segments used locally to report financial performance during the year, this being the Assistant Director structure (see above). It has also introduced an 'Expenditure and Funding Analysis' (EFA, see below) to reconcile the out-turn committee reports, based on the Assistant Director structure, to both the IFRS based statement of accounts and the underlying movement in the General Fund balance.

There have been no other changes in accounting policies. During the year the Council changed its property services provider to Lambert Smith Hampton Group Limited. This has led to some changes in the estimates used to value some non-current assets. The main impact of this is a significant increase in the value of the Council's car parking assets up from c£12m to c£21m. These are unrealised gains and have no impact on the Council's usable reserves. They do however strengthen the Council's overall balance sheet position.

The key statements setting out the Council's financial position and performance can be found in Section D, the Core Financial Statements. All the statements have equal prominence, and the sequence shows:

- The changes in the financial resources over the year (Movement in Reserves Statement)
- The gains and losses that contributed to these changes in resources (Comprehensive Income and Expenditure Statement)
- How the resources available are complemented by assets and liabilities (Balance Sheet)
- How the movement in resources has been reflected in cash flows (Cash Flow Statement)

A brief explanation of the purpose of each core and supporting statement is given below:

Movement in Reserves Statement
The statement shows the movement in the year in the different reserves held by the Council analysed into "usable reserves" that can be applied to fund expenditure or reduce local taxation, and "unusable reserves". It reflects the economic cost of providing services shown in the Comprehensive Income and Expenditure Statement, along with statutory amounts relating to Council Tax and other discretionary movements.

Comprehensive Income and Expenditure Statement
This statement (CIES) 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 Government regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet
This statement is fundamental to the understanding of the Council's financial position as at the relevant year end. It shows the value of the assets and liabilities recognised by the Council at the Balance Sheet date with the net assets of the Council being matched by its reserves. The Balance Sheet also reflects the position in the movement of reserves during the year.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It 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 from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation, grant and by service recipients. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council.

There are also a number of other elements to the statement of accounts, these are:

Statement of Responsibilities
This shows the responsibilities of the Council and the Assistant Director (Resources) in respect of the Statement of Accounts.

Accounting Policies
The Council selects policies on which it prepares its Financial Statements and this statement explains those policies.

Expenditure and Funding Analysis
The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to Council Tax payers how the funding available to the authority for the year has been used in providing services in

comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the CIES.

Notes to the Accounts

The Notes to the Financial Statements provide additional information to assist the reader in understanding and interpreting the Core Statements. These are essential reading in understanding the detail behind the figures.

Collection Fund

This shows the transactions of the Council as a charging authority in respect of Council Tax and Business Rates income and its distribution to precepting authorities for Council Tax (SLDC, Cumbria County Council and Cumbria Police and Crime Commissioner) and organisations due a share the retained Business Rates (SLDC, Cumbria County Council and Central Government).

Independent Auditor's Report

The independent auditor appointed by the Audit Commission to review the accounts of the Council prepares a report which is included with the final audited Financial Statements. The statutory functions for appointment of auditors to local government have now been delegated (on a transitional basis) to Public Sector Audit Appointments Limited.

Published along-side the statement of accounts is the **Annual Governance Statement.** This shows how the Council meets the requirements to review the effectiveness of its system of internal control, conduct its business within the law and to proper standards, and ensure public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2016/17 FINANCIAL PERFORMANCE

Revenue: Cost of Services

The table below summarises the actual out-turn position against budget. This shows that net service expenditure was £4.20m lower than budgeted. The majority of this is linked to the carry forward requests. The details of the underspending services requesting carry forward of budget was presented to Council 17 May 2017.

The variance figure was abnormally large compared to prior years due to the receipt of Community Housing Fund Grant of £2.36m. This followed introduction of Government policy in December 2016, to financially support affordable housing in areas impacted by second home ownership.

Summary of financial performance:

	Budget £000	Actual (EFA column i) £000	Overall Variance £000	Carry forward amount £000
Resources	2,647	2,317	(330)	(57)
Performance and Innovation	2,401	1,862	(539)	(409)
Strategic Development	3,514	815	(2,699)	(2,695)
Neighbourhood Services	6,032	5,406	(626)	(312)
Total services	**14,594**	**10,400**	**(4,194)**	**(3,473)**
Corporate items	(13,820)	(10,400)	3,420	
Total General Fund	**774**	**0**	**(774)**	**(3,473)**

The full details of service variances will be reported through the out-turn report to Cabinet 19 July 2017 and Council 25 July 2017. After removing carry forwards, the true service underspend was £720k. The largest single elements of this relate to:

- **Revenues and Benefits** (Resources) – this was £180k lower than budget overall; this was mainly due to increased levels of grant income and improved collection performance.
- **Audit and Inspection** costs (Resources) – this was £60k lower than budgeted mainly due to recent changes to the audit fees. The budget will be reviewed once the cost implications of the audit contracts due to commence in 2017/18 are clear.
- **Car parking income** (Neighbourhood services) – this was £160k higher than budgeted and £180k higher, year on year; charges have not been increased so this represents increased demand.
- **Lake Windermere income** (Neighbourhood services) – this was £60k higher than budgeted; significant efforts have been made in the year to resolve out-standing encroachment agreements, this has led to one off elements of back dated income as well as a reversal of the provision made in prior year for non-recovery of older debts.

Included within Neighbourhood Services net expenditure figures is £2.14m of cost incurred to support flood resilience work in the District. This relates to the £5k per property grant scheme which was put in place following the December 2015 floods. This includes a provision of £810k set up as part of the year end process to recognise the likely cost of grants which had been approved but not yet claimed. All of these costs are covered by grant from DCLG and so although are large items of income and expenditure within Neighbourhood Services, have a net £0 impact overall.

Revenue: Corporate items

Corporate items overall had a net overspend of £3.42m. However, this is mostly due to year-end adjustments to the General Fund working balance. Service underspends are automatically credited in to the General Fund working balance. The Council policy is to keep the General Fund working balance at £1.50m. This means that where there are service underspends, these need to be taken out of the General Fund working balance and put into the General Reserve. These will show as variances in the opposite direction to the service underspends, indicating that more has been put into reserves than was budgeted for. A summary of how the £3.42m is made up is as follows:

- £110k underspend on interest payable, interest receivable and Minimum Revenue Provision; this is due to reduced need to borrow following the 2015/16 capital programme out-turn and the reducing investment balances rather than taking on new loans.

- £320k less income than anticipated from retained rates. This was due to the impact of the 15/16 deficit (reduced income of £870k) offset by a reduced levy payment (£320k) and increased S31 grant (£230k) to cover the cost of certain mandatory rate reliefs (eg Small Business Rates).

- £3.22m net overspend in relation to contributions to/from reserves and revenue contributions to capital financing. The key variances were as follows:

  - Capital items effectively net to £0. Although there were underspends in year on the capital programme (see below), planned contributions to reserves have been actioned to ensure the resources are set aside to fund schemes when they occur. For planned contributions out of existing reserves, where there were underspends there have been lower contributions from reserves but equal and opposite reductions in the revenue financing of the capital programme.
  - £2.36m was contributed to the Community Housing Fund Reserve
  - There was a £750k residual underspend contributed to the General Reserve.

In addition, the overall position on the General Fund as shown in summary of financial performance table above was a £770k underspend. This relates to the 2015/16 carry forward amounts. As there was an overall underspend in 2016/17, a contribution from reserves was not needed to support the 2015/16 carry forward amounts. The true impact on the General Reserve then is the £750k that was put into the General Reserve plus the £770k that did not get taken out, giving a total of £1.42m. Removing the £990k of carry forward amounts to be funded in 2017/18 (total of £3.48m less £2.36m contributed to the Community Housing Fund Reserve and £130k contributed to the Economic development Reserve) leaves a true underspend in 2016/17 of £430k. This is judged to be reasonable.

In absolute terms, the overall impact on the General Fund balance, including earmarked reserves, is shown in an extract from the Expenditure and Funding Analysis, presented below:

Extract from EFA

	Net Expenditure Chargeable to the General Fund (iii) £000
Resources	2,602
Performance and Innovation	1,682
Strategic Development	(521)
Neighbourhood Services	3,416
Net cost of Services	7,179
Other income and expenditure	(11,242)
Surplus/Deficit on Provision of Services	(4,063)

This shows that general fund revenue balances increased by £4.06m in the year. This contribution to reserves mainly relates to:

- £2.36m into the Community Housing Fund
- £750k into the General Reserve relating to the service underspend
- £200k into the General Reserve as the planned annual contribution to ensure sufficient reserves are in place to manage risk corporately
- £320k planned contribution into the Customer Connect Reserve
- £310k planned contribution into the NDR pooling reserve to support economic development activity
- £420k into the New Homes Bonus reserve to match deferral of capital schemes funded through NHB.
- £250k into the Revenue Funds for Capital reserve to match deferral of capital schemes due to be funded through revenue contributions.
- £50k (planned £80k out, underspend of £130k in) into the economic development fund.

Less:

- £350k out of the waste contract reserve; the contract period ended as of 31/3/2017 and so the separate reserve is no longer required.
- £50k out of the flooding costs reserve to support the ongoing cost of the 2015 floods in the District.
- c£150k of other contributions from earmarked reserve to support specific costs (eg Local Area Business Growth Initiative, Planning Delivery Grant, Local Arts Strategic Fund)

Detailed analysis of income and expenditure is presented in the Comprehensive income and expenditure statement, a detailed analysis of contributions to and from reserves is presented in note 9 and a split of grant income presented at note 16.

Capital Expenditure and Financing

Expenditure on the Council's own assets for 2016/17 is summarised below:

Capital Spending	**£000**
Purchase of Vehicles	413
Purchase of Lake Patrol boat	173
Waste and Recycling bins and boxes	105
Castle Dairy Flood repairs	101
Ferry Nab Development	135
Works at Waterhead to the Public Realm	119
Purchase of IT equipment and software	99
Play areas	180
Brewery Street Culvert	374
Brogden Street Office	86
Flood costs Rothay Park	105
Other (under £50,000)	76
Total	1,966

The Council also uses capital resources through the capital programme on assets belonging to other organisations or individuals. This is treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS), the amounts for 2016/17 were as follows:

Refcus	**£000**
Flood resilience grant payments	2,138
Affordable housing grants	1,574
Disabled Facilities Grants	341
Locally Important Projects	121
Other (under £50,000)	85
Total	4,259

The capital programme was funded as follows:

Funding	**£000**
Capital Receipts	(1,947)
Grants and Contributions	(2,763)
Revenue contributions	(841)
Prudential borrowing	(674)
Total to support capital	(6,225)

Total capital spend was £6.23m in the year but this includes year end accounting presentation adjustments to bring flood resilience grants, CIL payments and Locally Important Project payments into capital, from revenue. Adjusting for these gives an underlying capital spend of £3.94m. This compares to the total budget of £10.93m approved in the amended capital programme, including the re-profiling from 2015/16 out-turn into 2016/17. There are no material underspends within the programme, variances are to do with the timing of spend. A number of factors have influenced the timing of spend in the year, these include:

- Reliance on progress of partners or demand with reference to contributions to housing schemes and Disabled Facilities Grants; this alone accounts for c£2.8m of the re-profiling.
- The ongoing review of the council's accommodation and Leisure offer has meant some planned investment has been deferred while options are appraised with partner organisations (c£1m of the re-profiling).
- Reliance on partners for progression of a number of public realm and park schemes, where the Council either does not own the land or is contributing to a wider initiative (eg Kendal Market place, the Glebe, Nobles Rest improvements).

- Change of property services contractor during the year has meant that some schemes were deferred until the new provider was in post.
- Impact of the flood on the level of resources to progress capital schemes.

Overall, there is scope for improvement in terms of anticipating the timing of expenditure, however, the size of the variance needs to be viewed in relation to the nature of the Council's capital programme. As a non-HRA district council, the capital programme does not include large infra-structure schemes such as highways, schools or direct maintenance of council houses.

The high level of re-profiling does not indicate a serious issue in terms of delivery of statutory services, rather, it can be seen to reflect the nature of the Council's capital investments. These are largely reliant on partnership working and so there is less direct control over timing of spend. This reliance on partners is likely to continue because as set out below, the capital programme going forwards is roughly 50% contributions to housing schemes.

2016/17 FINANCIAL POSITION

Changes to the Balance Sheet

Overall the Balance Sheet shows an increase in the net worth of the Council of £4.03m. The major movements from 31/3/2016 to 31/3/2017 are described below.

Pension Fund

The Council provides pensions to its staff through the Cumbria County Pension Fund, part of the Local Government Pension Scheme. The scheme is currently a defined benefit scheme with some benefits linked to the final salary of members at retirement and some benefits linked to career average pay. The liabilities of the fund at the valuation date is equal to the present value of the future benefit payments. The main assumptions in valuing the liabilities are:

- the interest rate it is assumed can be achieved on the investment of the assets;
- the rate at which salaries will increase in future because pensions are based on salaries at retirement, death or leaving;
- future price inflation because this affects both salary and pension increases;
- the probability that pensions will be paid and under what circumstances (death, voluntary early retirement, ill-health); and
- how long pensions are likely to be in payment for.

A full revaluation of the scheme is performed every three years although annual reviews are performed by the actuary to provide the up to date figures presented on the balance sheet (ie the pension liability and the matching pension reserve).

The net pensions liability has increased by £9.75m, this includes the reversal of a £920k pre-payment for the lump sums payable to the fund for 2016/17 which was reducing the net liability during 2015/16. This leaves the liability in the top half of the balance sheet at £38.93m. A review of note 32 shows that this balance is quite volatile year on year however statutory restrictions are in place that mean only the amounts payable in year (ie the employers' pension contributions as notified by Cumbria County Pension Fund, part of the LGPS) are charged against the General Fund balance. Over the longer term, the fund administrators need to ensure the contributions into the fund (ie employers and employees contributions) will be sufficient to meet the liabilities (ie payments) which may result in increased contribution rates in future.

Investments, cash, creditors and debtors

The net current debtor/creditor (including short term borrowing and grant receipts in advance) balance has reduced by £820k in the year from a net credit of £1.37m to a net credit of £550k. A key part of this is recognition of £800k of income out of grant receipts in advance in the year. The majority of this is due to granting of Council Tax and NDR reliefs during 2016/17, funded by a CLG grant received during

2015/16. Cash and investment balances have increased £4.24m from £18.30m to £22.53m. This broadly reconciles to a £3.92m increase in usable reserves (revenue and capital, see note 9) overall.

Non-current assets

Non current assets (including Assets Held for Sale) have increased in year by £9.28m. This is mainly explained by £1.97m of capital additions, £10.09m of revaluations, less £2.59m of depreciation and £160k of disposals. The capital additions are set out above. The revaluation gains mainly relate to the Council's car parking assets. These increases have come about following change of the Council's valuers from NPS North West Limited to Lambert Smith Hampton Group Limited during 2016/17. The Council's new valuers have a different opinion as to the relevant indexes and yield information that are applied in certain circumstances, particularly where income is used as the basis of the values.

Significant Provisions

Amounts set aside for impairment of bad debts are maintained at prudent levels, adjusted for local knowledge. The total amount at 31 March 2017 was £1.50m, down from to £1.75m at 31 March 2016. This represents specific work to address out-standing debtors, including a number of individually significant encroachment debts which have been resolved during the year. The full details of this have been reported to the Lake Administration Committee throughout 2016/17.

A specific provision has been set aside for business rates appeals, the Council's share of which has increased from £710k to £890k. Under the current Retained Business rates scheme, successful appeals will directly impact on the Council's income. The provision is based on the estimated cost of currently lodged appeals. The increase is thought to relate to the closure of the old rating list, with a full revaluation taking effect from 1/4/2017.

The £400k provision set aside to cover potential costs of major works to a drainage culvert in Ulverston has been utilised in year. The final cost for the scheme was £370k, the balance was returned to the General Fund.

The only other major provision relates to an estimate of the value of flood resilience grant claims. As at 31/3/2017 it was estimated that £810k of cost had been incurred by property owners who had an approved grant application but who had not yet submitted their claims. The scheme will close during 2017/18.

As part of the housing transfer a number of significant guarantees and warranties were given which are treated as contingent liabilities, detailed in note 30.

Collection Fund Performance

The Collection fund includes a surplus/deficit for both Council Tax and Retained Business Rates. After allowing for the impact of prior year surplus/deficit shares, the Council Tax account made a deficit of £10k which left a cumulative surplus of £220k. The Business Rates account made a deficit of £110k bringing the cumulative deficit to £2.33m. This is largely due to the separation of the cost of certain reliefs (eg Small Business Rates) which are charged to the collection fund and the grant funding to off-set these costs which is paid into the general fund. The deficits are shared between the precepting authorities and have been taken into account in setting budgets for 2017/18. SLDC's share of the Business Rates deficit being £930k (40% of £2.33m). The impact of this on the General Fund is deferred under statute and is broadly matched by amounts set aside in the NDR surplus reserve which totals £960k.

Since 2014/15 a pooling arrangement with other Cumbrian authorities has been in place. This arrangement should help the pool overall to reduce payment of levy which may otherwise be incurred. This had a positive impact on the level of retained business rates in the year, with £310k being set aside into the NDR pool reserve to support economic development in the District.

Council Tax

The Council increased the 2016/17 Council Tax by £5 in line with the expectations of central government, contained within the finance settlement.

Cash flows

As set out above, the cash and investment position has increased by £4.24m over the year. These balances largely reflect the usable reserves that the authority holds. The 2017/18 budget included plans to utilise £690k of reserves, in addition carry forwards on revenue (excluding the Community Housing Fund, see below) of £1.12m and capital of £1.56m are expected to utilise resources which had been set aside in 2016/17. In addition, governance arrangements are being put in place to manage expenditure from the £2.36m Community Housing Fund. In total this could potentially reduce reserves and the matching cash/investments by £5.73m over the coming year.

The Council has robust Treasury Management procedures in place to ensure that the cash resources are available when required. The Council has not had to increase its level of physical borrowing for several years and has no plan to take on new loans during 2017/18. The £12.80m of loans on the balance sheet are all maturity type, fixed term, fixed interest loans from the Public Works Loans Board.

SUMMARY OF COUNCIL PLAN PERFORMANCE

To put the financial position and performance in context, it is important to also consider non-financial performance. Council Plan performance is regularly monitored against specific targets that relate to the four priorities and to the underlying need to improve and innovate to ensure efficient, effective and economic delivery of services. A detailed report on the Council plan performance for 2016/17 is available via the Cabinet 26 April 2017 agenda on the Council's website. Key areas are as follows:

Economy

Estimates show that the Council is on target to achieve 1000 new jobs in the area by 2025. Since 2014/15 an estimated 302 new jobs have been created in South Lakeland. A total of 106 new jobs have been created in South Lakeland in 2016/17. The number of micro sized businesses has increased from 87.9% in 2015 to 88% in 2016.

Environment

Plastic and cardboard kerbside collection has increased very significantly since 2012/13 - contributing to less waste and safeguarding the environment. The roll out of 5-stream kerbside plastic and cardboard collection is an ongoing programme and has increased from 47% in Q1 to 60% in Q2, 85% in Q3 and >90% in Q4 2016.

Health and Wellbeing

The total number of crimes reported has reduced; this was lower in 2016/17 (3,779) when compared to 2015/16 (3,955).

The average health status score for adults aged 65 and over is 0.77 in South Lakeland. Although this has reduced recently it is still better than the England average of 0.727. This shows that although there has been a reduction in recent years South Lakeland has better health in older life than on average across England.

Housing

A cumulative total of 319 affordable homes for rent have been completed since 2014/15, 76 homes in 2016/17 (62 in 2015/16). This rate of completion and expected future completions means that the Council is on target to deliver the 1,000 new affordable homes for rent by 2025.

The Council's tax base data shows that the number of dwellings on the valuation list in South Lakeland has been rising steadily and stood at 52,967 in 2016/17 (52,695 in 2015/16); the number of long term empty properties has reduced and was 827 in 2016/17 (971 in 2015/16, excluding exemptions and properties empty due to flooding).

Innovation and Improvement

Performance with planning applications is significantly ahead of target, for example, for the first three quarters of 2016 >83% of all major planning applications were determined within the 13 week period. This is significantly better than the target of 60%.

Annual data shows that the Council has significantly reduced the number of complaints from 167 in 2011/12 to 103 in 2016/17. Also nearly 79% of complaints were responded to within our 10 day standard. Compared to the annual number of customer interactions 103 complaints represents a very small percentage.

The number of training courses for staff continues to rise with 113 learning and development events run via the Corporate Training Programme for the financial year 2016/17. Also the total number of delegates that attended training continues to rise.

Council Plan 2017 refresh and Medium Term Financial Plan

The review above, of the Council's financial and operational performance and position, demonstrates that the organisation is in good shape to face future challenges. A key pressure facing all local government organisations is the continued reduction and transformation of central government grant support. The ongoing transfer from a 'needs' based grant funding system to 'incentivised' funding, based on the retention of business rates, generates significant financial uncertainty. A funding system based on 100% retention of business rates is planned for 2019/20. The exact details of how this will work, particularly in two tier areas, is not yet clear.

A balanced budget position was set for 2017/18. Current estimates for future years project deficits of c£1.2m per annum from 2018/19. With the exception of £20k identified as savings for 2017/18 onwards, these figures do not include the impact of 'Customer Connect'. This is a key corporate programme that will re-shape how the Council operates and interacts with its service users. It will also generate efficiencies through improved use of technology.

The table below shows the revised projections from February 2017 including the impact of Customer Connect. This assumes that 50% of the total savings will be delivered in 2018/19 with 100% from 2019/20 onwards and result in an estimated annual deficit of a much reduced £390k. This amount includes £500k for growth and budget pressures which is not allocated to growth until a balanced budget is achieved.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net draft budget (projected deficit)	**0.0**	**1,163.8**	**1,106.9**	**1,187.0**	**1,214.5**
Total CC savings	-22.0	-425.0	-850.0	-850.0	-850.0
CC Savings in base	-22.0	-22.0	-22.0	-22.0	-22.0
Further CC savings		-403.0	-828.0	-828.0	-828.0
Projected deficit including further CC Savings	**0.0**	**760.8**	**278.9**	**359.0**	**386.5**

Overall, this means that although there are risks and uncertainties ahead, the Council has robust plans in place to ensure resilience.

The capital programme approved in February 2017 is summarised below:

2016/17 revised	2017/18	2018/19	2019/20	2020/21	2021/22	Total
£000	£000	£000	£000	£000	£000	£000
5,419.5	8,444.1	1,546.0	2,688.0	1,793.0	1,607.0	21,497.6

Around £10m of this relates to housing schemes, including Disabled Facilities Grants and affordable housing. The Council receives grant funding from the 'Better Care Fund' to support DFG spend and has also been receiving c£1m annually in capital receipts from South Lakes Housing as a legacy from the housing stock transfer which completed in 2011/12. In addition new homes bonus grant is also put towards housing programmes. These funding streams are expected to continue going forward but may reduce subject to the policy of partners, demand for RTB acquisitions or central government policy on New Homes Bonus.

This does not reflect the £2.36m of Community Housing Fund income received during 2016/17. This is a further, potentially recurring, source of income to support delivery of community led affordable housing schemes in the district. This is an exciting development for the Council which may lead to innovative delivery models and closer working with local social landlords, builders and community housing groups.

Around £5m relates to the renewal of the waste collection and recycling fleet; these are funded through 'prudential borrowing' and have a corresponding 'minimum revenue provision' charge in the revenue budget to pay for these vehicles over their useful lives.

The remainder of the programme relates to works on municipal buildings and cultural/ leisure facilities (including play grounds). These are largely funded through use of the one-off capital receipt that remains from the stock transfer and revenue reserve contributions. Once the current programme is complete, there is relatively little capital receipt available and so, similar to Council's nationally, future capital investment will need to be able to cover its own costs.

CONCLUSIONS

The Council is in a good financial position to continue delivering against the Council Plan priorities. The Council has had underspends on both capital and revenue in year although the vast majority of this is deferral of spending to future years, rather than savings. There is scope to improve the planning around timing of spend but there were no serious issues in terms of delivery of services. Overall, the financial and operational performance for 2016/17 was good with the Council's balance sheet ending the period in a significantly stronger position than as at 1/4/2016, albeit due to unrealised gains from the increased value of the car parks.

The Council has savings to find but has a robust planning process to both identify the scale of the savings required and to monitor the impact of initiatives put in place to reduce net costs. The Customer Connect Programme is a major strategic initiative. Its successful implementation is key to delivering a greater level of customer engagement and service, as well as financial efficiencies. This is planned to start delivering these benefits from 2018/19 with full implementation from 2019/20 onwards. This is a challenging target but as can be seen from the review above, the Council has the resources to meet this challenge and ensure that it remains sustainable.

SOUTH LAKELAND DISTRICT COUNCIL
STATEMENT OF RESPONSIBILITIES 2016/17 (B)

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Director (Resources)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts (delegated to Audit Committee)

The Assistant Director (Resources) responsibilities

The Assistant Director (Resources) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the code")

In preparing the statement of accounts, the Assistant Director (Resources) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

The Assistant Director (Resources) has also;

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

Certificate

I certify that the statement of accounts gives a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017

SMcGregor

Shelagh McGregor

Date 20/9/17

Assistant Director (Resources, S151 Officer)

STATEMENT OF ACCOUNTING POLICIES (C)

INTRODUCTION

The purpose of this section is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of South Lakeland District Council. Where individual transactions and other events are not covered by these policies they are accounted for in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice identified below.

The accounting policies are the main principles, bases, conventions, rules and practices that specify how these transactions and other events are reflected in the financial statements of the Council.

The accounts follow the appropriate accounting standards as required by the **CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code of Practice)**. The Code constitutes a "proper accounting practice" under the terms of Section 21 (2) of the Local Government Act 2003. The Code is based on approved international accounting standards, except where these conflict with specific accounting or legislative requirements, so that the Council's accounts present a true and fair view of the financial position and transactions of the authority.

The basic accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible non-current assets and financial assets.

The Accounting Policies that follow are presented in an order that, as far as possible, corresponds with the layout of the main statements. A full index of Policies follows.

GENERAL PRINCIPLES

COMPREHENSIVE INCOME AND EXPENDITURE

BALANCE SHEET

1. FUNDAMENTAL ACCOUNTING CONCEPTS

a) Underlying Assumptions

Accruals
The financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

Going Concern
The financial statements have been prepared on the assumption that the Council will continue in operation for the foreseeable future.

b) Qualitative Characteristics of Financial Information

Understandability
These accounts are based on accounting concepts, treatments and terminology, which require reasonable knowledge of accounting and local government. However, all reasonable efforts have been made to use plain language and where technical terms are unavoidable they have been explained as they occur.

Relevance
The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful to the reader in assessing the stewardship of public funds and for making future economic decisions.

Materiality
The Code permits the concept of materiality to be used in the preparation of the accounts. Omissions or mis-statements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or mis-statement

judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Faithful Representation
The financial information is complete, neutral and free from error in that it:

- has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- represents faithfully the transactions and events it purports to or could reasonably be expected to represent;
- is free from deliberate or systemic bias;
- is free from material error;
- is complete within the bounds of materiality and cost.

Comparability
The financial statements have been prepared to allow comparison of the Council's financial position over time. The Council reports financial performance in segments consistent with the internal management structure. These also include recharges required to produce service expenditure in line with the Service Reporting Code of Practice (SeRCOP) to aid comparability with other local authorities through DCLG statistical returns.

Verifiable
Information used to prepare the accounts can be verified. Where estimates have been used, the relevant assumptions underlying the estimation technique will be disclosed.

Timely
The statutory timeframe for preparation of the accounts will be adhered to.

Primacy of Legislative Requirements
Local Authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements as shown in Appendix B to the Code shall apply. To satisfy the twin demands of accounting regulations and legislation, Local Authority accounts include a reconciling statement to disclose how legislation has had an impact on the general fund and other reserves (the Movement in Reserves Statement and supporting note).

2. ESTIMATION AND PRIOR YEAR ERRORS

In order to prepare the annual accounts by the specified deadline, it has been necessary to use estimation methods in relation to some transactions and events. The Council has applied the same methods this year as in previous years.

The estimation techniques that have been used are, in the Council's view, appropriate and consistently applied. Should the effect of a change to an estimation technique be material, a description of the change and, if practicable, the effect on the results for the current period and future years would be separately disclosed.

Where errors have occurred in relation to previous years' recognition, measurement, presentation, or disclosure of elements of financial statements, they are corrected retrospectively where material and disclosed in the notes to the statements.

3. ACCRUALS OF INCOME AND EXPENDITURE

In compliance with the Code, in all material respects both revenue and capital accounts of the Council are maintained on an accruals basis. That is, sums due to or payable by the Council during the year are included in the accounts whether or not the cash has actually been received or paid in the year. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, if material, they are carried as inventory on the Balance Sheet. Where not material, these will be expensed in year.
- Employee Costs – see separate Employee Benefits Policy below
- Interest payable on borrowings, and receivable on investments, is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

Accruals are largely based on known commitments and are assessed accurately. Where estimates are made, they are based on historical records, precedence and officers' knowledge and experience. In all cases the Council adopts a prudent approach to avoid overstating its resources.

4. VALUE ADDED TAX (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to revenue or capital expenditure as appropriate. VAT receivable is excluded from income.

5. REVENUE GRANTS AND CONTRIBUTIONS

Government grants and contributions are accounted for on an accruals basis. Specific revenue grants and contributions are matched with the service expenditure to which they relate in the Comprehensive Income and Expenditure Statement unless there are conditions that have not been met. In such cases the income is credited to Receipts in Advance until the conditions are met. Once conditions are met the grant is transferred to the Comprehensive Income and Expenditure Statement.

Where there are no conditions outstanding, but expenditure has not been incurred, the grant is transferred to an earmarked reserve until the expenditure is incurred. It is then transferred to the General Fund Balance through the Movement in Reserves Statement.

Grants to cover general expenditure e.g. Revenue Support Grant (RSG) and Rural Services Delivery Grant are credited to the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

Repayments of Grants and Contributions are shown as a revision of an accounting estimate, and are set-off against the previous entries in the accounts.

6. EMPLOYEE BENEFITS

During Employment

Short-term benefits are those due to be settled within 12 months of the year-end. They include salaries, paid annual leave, sick leave and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made at the end of each year for the cost of holiday entitlement and flexi-time balances not taken at the year-end. The accrual is based on the salary rates for the year in which it will be taken. The accrual is charged to the cost of services, but then reversed out in the Movement in Reserves Statement, so that benefits are charged to revenue in the year in which the holiday or flexi-time is taken.

Termination Benefits

These are benefits payable as a result of a decision taken by the Council to terminate an employee's employment before the normal retirement date, or as a result of an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service in the period when the Council can no longer withdraw the offer of benefits made to the employee or when the criteria for recognising a provision to cover such costs are met, whichever is the earliest.

Where termination benefits involve pension enhancements, statutory provisions require the amount charged to the General Fund to be the amount paid in the year and not that calculated in accordance with relevant accounting standards. The Movement in Reserves Statement therefore shows entries in and out of the Pensions Reserve to bring the treatment into line with the accruals requirements of Accounting Standards.

Retirement Benefits

The Council has adopted the accounting requirements under IAS19 – Retirement Benefits, as required by the Code. Employees of the Council are members of Cumbria County Pension Fund, part of 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 – i.e. 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, etc, and projections of estimated earnings for current employees

- Liabilities are discounted to their value at current prices, using a discount rate and type of bond provided by the Actuary
- 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 at current bid price
  - unquoted securities by professional estimate
  - unitised securities at current bid price
  - property at market value

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

Component	Detail	Accounting Treatment
Current service cost	Increase in the present value of the defined benefit obligation resulting from employee service in the current period including interest on the current service cost.	Comprehensive Income and Expenditure Statement for appropriate service
Past service cost / gains	Change in the present value of the defined benefit obligation for service in prior periods resulting from a plan amendment or curtailment and any gain or loss on settlement.	Comprehensive Income and Expenditure Statement, Non Distributed costs
Net interest on the net defined benefit liability(asset)	Change during the period in the net defined liability (asset) that arises from the passage of time.	Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
Other contributions to the Pension Fund including Gains/losses on settlements and curtailments	Result of actions to relieve Council of liabilities or events that reduce expected future service or accrual of benefits of employees	Debited to Net Cost of Services in Comprehensive Income and Expenditure Statement, Non Distributed Costs
Re-measurements (return on plan assets, actuarial gains and losses)	Return on Plan assets not included in net interest. Changes in net pensions liability arising because events have not coincided with assumptions made at last actuarial valuation or changes to actuaries' assumptions split between demographic and financial assumptions	Accounted for in the Pensions Reserve and as part of Other Comprehensive Income and Expenditure.
Contributions paid to the Cumbria Local Government Pension Scheme	Cash paid as employer's contributions to the pension fund.	Not accounted for as an expense in Comprehensive Income and Expenditure Statement but charged against General Fund through Movement in Reserves
Other administration costs	Other costs of scheme administration	Debited to other operating expenditure

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 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 any amounts payable to the fund but unpaid at the year-end.

Any prepayments into the pension fund will be treated as a reduction to the pension liability.

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.

Residual Arrangements
The Greater Manchester and West Yorkshire Pension Funds charge the Council for the full pensions of a small number of pensioners of local authorities that were replaced by South Lakeland District Council in the 1974 Local Government Re-organisation.

7. COSTS OF SUPPORT SERVICES

The accounting treatment for support services has been prepared in accordance with SeRCOP. Although the cost of services in the Comprehensive Income and Expenditure Statement is no longer presented in line with SeRCOP headings, the Council still has to use this framework for statistical returns to DCLG. Therefore, support services continue to be recharged; these recharges are reflected in the reported service out-turn and the segmental analysis in the Comprehensive Income and Expenditure Statement.

The total absorption costing principle is used with the full cost of overheads and support services being shared between users, for example:

Description	**Basis of Allocation**
Financial Services	Gross revenue expenditure Budget
Legal Services	Time apportionment
Human Resources/Payroll	Staff Numbers
Democratic Services	Time apportionment
Administrative Buildings	Area occupied
Information Services	Number of PC Users
Corporate Services	Time apportionment

8. EXTERNAL INTEREST

Interest payments on external borrowings (Public Works Loans Board and other bodies) are fully accrued in order that each year bears the costs of interest related to its actual external borrowing. External interest income is credited to the Comprehensive Income and Expenditure Statement over the period to which it relates.

9. CHARGES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE USE OF NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited or credited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written-off
- Amortisation of intangible non-current assets attributable to the service.

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

10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of non-current assets owned by the Council (REFCUS), has been charged as expenditure to the relevant service revenue account in the year. Examples include disabled facilities grants on private houses.

Where the Council has determined to meet the cost of this expenditure from capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement, so there is no impact on the level of the Council Tax.

11. LOCAL TAXATION AND BIDs

The Council is a billing authority for the district, collecting Council Tax and Business Rates on behalf of itself, the County Council (including fire service), Cumbria Police and Crime Commissioner and central government. Under statute these transactions are managed through the 'Collection Fund'. In line with agency accounting, the Council only recognises its own share of income and expenditure and the Collection Fund balance sheet.
Statute sets out the income and expenditure to be charged against the General Fund in the year; this will equal the approved Council Tax precept and budgeted level of retained

business rates, including shares of prior year surpluses or deficits. The income recognised in the Comprehensive Income and Expenditure Statement is on an accrued basis and so includes the Council's share of any in year surplus or deficit. Any difference to the statutory amounts will be reversed out to the Collection Fund Adjustment Account, through the Movement in Reserves Statement.

The Council also collects the 'BID levy' from ratepayers within the Kendal and Ulverston Business Improvement Districts. This is on an agency basis and so these amounts are excluded from the Council's income and expenditure.

12. FAIR VALUE MEASUREMENT

Where asset and liability values on the balance sheet reflect their current value, these will be measured at Fair Value unless a different measurement basis is specified in the Code. This is defined as 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. This definition will also be applied if disclosures about Fair Values are required for assets and liabilities measured on a basis other than fair value.

13. DEFINITION OF CAPITAL EXPENDITURE

All expenditure on the acquisition, construction, replacement or restoration of a tangible non-current asset has been capitalised and classified as property, plant, equipment, heritage asset or investment property, where it is probable that future economic benefits or service potential associated with the item will flow to the Council and where the cost can be measured reliably.

This will also include subsequent expenditure except where this only maintains the asset's potential to deliver the level of service anticipated when the asset was acquired. In this case, the expenditure will be treated as revenue and will be charged to the service account.

Where a component of an asset is replaced or restored the amount in the accounts relating to the old component is de-recognised. Major overhaul or replacement expenditure can also be capitalised if it relates to a non-current asset that has previously been depreciated.

A non-current asset is initially recognised at its cost, which is its purchase price plus any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs are the labour costs of own employees (e.g. site workers, in-house architects and surveyors) arising directly from the construction or acquisition of the specific asset, the incremental costs to the Council that would have been avoided only if the particular non-current asset had not been constructed or acquired.

Costs will be ineligible to the extent that they relate to activity that takes place before the intention to acquire or construct a particular non-current asset has been confirmed. Examples include project appraisals and feasibility studies.

The Council has adopted an aggregate de-minimis level of £10,000 for expenditure on capital schemes; if expenditure in a single financial year is less than £10,000 it will still be capitalised if this is part of an ongoing scheme which in total is £10,000 or more. Expenditure on schemes below this level is charged to the Comprehensive Income and Expenditure Statement in the year it is incurred.

14. PROPERTY, PLANT AND EQUIPMENT

Recognition and Valuation

After initial recognition in the accounts at cost, non-current assets are valued on the basis required by International Standards and recommended by CIPFA and the Royal Institute of Chartered Surveyors (RICS).

Operational Land and buildings have been valued by the Council's external valuers at Current Value on the basis of market related evidence where available. Depreciated Replacement Cost (DRC) has been used on specialist assets where there is no active market. The basis of the valuation, including that for vehicles, equipment and plant, is the net realisable value in existing use. Depreciated historic cost has been used as a proxy for Current Value for vehicles, plant and equipment.

Infrastructure assets and assets under construction are held at depreciated historic cost; community assets are held at historic cost.

Revaluations

Revaluations of non-current assets are being carried out as part of a rolling programme over a four-year cycle. However, in addition material changes to asset valuations will be adjusted in the interim period as they occur, for example where there is enhancement expenditure in the year or as a result of an impairment review. Although a rolling programme is used, the Council's valuers will consider the carrying amounts of all land and building assets at the balance sheet date for the potential of material misstatement. Revaluations of non-current assets also take place when an asset is classified as Held for Sale.

Any gains on revaluation will be credited to the Revaluation Reserve, unless it reverses a previous loss on the same asset that was charged to service expenditure. In that event the equivalent gain will be credited back to where the charge was made in the Comprehensive Income and Expenditure Statement.

Losses on valuation will be debited to the Comprehensive Income and Expenditure Statement, unless it can be set against any previous gains in Revaluation Reserve for that asset.

Impairment

All categories of non-current assets or material individual assets are reviewed each year for evidence of reductions in value.

Where there is a material reduction in recoverable amount, the loss is reflected through an impairment charge to the service accounts, unless there is a revaluation surplus in the revaluation reserve for that asset, in which case it will be set off against that surplus.

Depreciation

Depreciation is provided for on all non-current assets with a finite useful life with the exception of Investment Properties, some Heritage Assets, Assets Under Construction and Assets Held for Sale. Where depreciation is provided for, assets are generally depreciated using the “straight line” method on the opening balance. Details of the relevant periods are shown in the Property, Plant and Equipment note to the accounts. The depreciation periods are reviewed each year.

In exceptional circumstances, where an event occurs in year that creates a material difference between the opening and closing valuation of an asset, a different approach may be used to provide a fair estimate of the value of using the asset in the year. This would base the depreciation charge on a value judged to best represent the year in question overall. This will only be done where it has a material impact on the depreciation charge and the details will be made explicit within the notes to the accounts.

Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation and that which would have been charged on a historical cost basis, is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Derecognition

Property, Plant and Equipment is derecognised on disposal or when it has no future economic benefit or social benefit.

The gain or loss from derecognition is the net of its disposal proceeds, if any, and its carrying amount and is included in the Other Operating Expenditure in the Surplus or Deficit on the Provision of Services.

Where part of an asset is being replaced or restored, the carrying amount of the existing part is derecognised and replaced with the recognised amount for the new part. Where the carrying amount of the existing part is difficult to identify, estimates based on the cost of the new part are used to establish the amount.

15. HERITAGE ASSETS

Heritage Assets are those that are:

- held and maintained principally for their contribution to knowledge and culture and/or
- preserved in trust for future generations because of their cultural, environmental or historical associations

They include both tangible and intangible assets. Where the values of these items are individually and/or collectively immaterial they are included in the Balance Sheet at a nominal value, and reference is made to them in the notes to the Accounting Statements.

With the exception of the relaxations shown below, Heritage Assets are recognised and measured in accordance with the policies on Property, Plant and Equipment or Donated Assets.

Land and Buildings
Where valuation methods cannot be applied due to the nature of the asset, for example Kendal Castle, a nil value has been used. No impairment or depreciation is therefore applicable in these cases.

Collections
The disparate collections held in various locations within the Council are reported in the Balance Sheet at valuation. This is estimated using the annual insurance value. When acquisitions are made they are initially recognised at cost, whereas donations will be recognised at valuation by reference to market information.

16. INVESTMENT PROPERTIES

Assets held and managed purely for rental income or capital appreciation are held as Investment Properties, and their annual revenue income and expenditure are reflected in the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure. They are not subject to depreciation but are re-valued annually at Fair Value according to market conditions at the year-end.

17. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance, but are identifiable and controlled by the Council (e.g. software licences), is capitalised when it will bring benefits to the Council for more than one financial year. The asset is normally held at historical cost, less any accumulated amortisation (depreciation) and impairment loss, unless there is an active market in which case fair value will apply.

The amortisation (depreciation) cost is charged to the relevant service account over the economic life to reflect the pattern of consumption of benefits. Where an intangible asset has an indefinite life no amortisation (depreciation) is applied. In line with tangible assets, the values of intangible assets (if in use) are reviewed periodically, and impairment, disposal and useful life policies are also applied and reviewed.

18. NON-CURRENT ASSET DISPOSAL

Held for Sale
Assets held for sale must be available for and in a physical condition appropriate for immediate sale, all approvals received or granted and expected to be sold within one year. In most cases this will be when the Council approves its sale and marketing.

When an asset is classified as for sale, it is immediately revalued in its pre-reclassification asset class. It is then reclassified and shown on the Balance Sheet at the lower of this amount and fair value less costs to sell. When the asset is sold any gain or loss is shown in the Comprehensive Income and Expenditure Statement. Gains are only recognised up to the value of any losses previously posted to the Comprehensive Income and Expenditure Statement.

Receipts

Receipts from disposals are credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Amounts in excess of £10,000 are accounted for as Capital Receipts.

The balance of receipts, after taking account of costs of disposal, is credited to a Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Gains or losses on disposals are not a charge against Council Tax as amounts are provided for under separate capital financing arrangements. Amounts are appropriated from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

19. LEASES

General

The Council enters into leases both from and to external organisations/individuals. The nature of the lease can be either operational or finance with the determining factor being the amount of risks and rewards that pass with the lease. The Council currently has no Finance leases.

Operating Leases

Rentals payable are charged directly to Service costs in the Comprehensive Income and Expenditure on a straight-line basis over the period of the lease. This generally means they are charged when they become payable.

Rents received are credited to Service costs in the Comprehensive Income and Expenditure Statement as they are due.

20. BAD DEBTS

The Council continually reviews its debts as part of its monitoring process taking account of past recovery rates and any relevant advice from external bodies. Provision is made for impairment of debts, which for most services is calculated as 25% of all debts between 6 months and one year old, 50% of all debts between 1 and 2 years old and 100% of all debts over two years old.

Separate amounts are calculated for Council Tax, NNDR, Housing Rents and Benefits. These reflect increasing levels of provision dependent on the stage of recovery, with anything over two years being fully provided for.

21. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents include:

- petty cash
- amounts held in instant access accounts
- the consolidated payments and income accounts with the Council's main bankers

22. CAPITAL GRANTS AND CONTRIBUTIONS

Capital grants and contributions received for the purposes of financing capital expenditure are credited to Taxation and Non-Specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement on an accruals basis, unless there are conditions that have not been met. In this case, the income is credited to Capital Grants Receipts in Advance until the conditions are met. It is then transferred to the Comprehensive Income and Expenditure Statement.

When there are no conditions outstanding and the related expenditure to be financed from that grant has been incurred, the grant is transferred to the Capital Adjustment Account and reported through the Movement in Reserves Statement.

Where there are no conditions outstanding but the related expenditure has not been incurred the grant is transferred to Capital Grants Unapplied Reserve and reported in the Movement in Reserves Statement. When the expenditure is incurred the grant is transferred to the Capital Adjustment Account with appropriate reporting in the Movement in Reserves Statement.

Repayments of Grants and Contributions are shown as a revision of an accounting estimate and set off against the previous entries in the accounts. Repayment is regarded as capital expenditure and transfers are made between the Comprehensive Income and Expenditure Statement and the Capital Adjustment Account with the transfer being reported in the Movement in Reserves Statement.

23. PROVISIONS

The Council makes general provisions for significant liabilities or losses, which are likely or certain to be incurred but are uncertain as to the amounts or dates on which they will arise. For example the Council may be involved in a court case that could eventually result in the requirement to make a settlement or pay compensation.

Provisions are charged to the appropriate service in the year that the Council becomes aware of the obligation, based on the best estimate of the amount that might be paid. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it is apparent that it is no longer needed or the amount needs to be changed, then amounts are either credited back to revenue or additional sums charged to revenue to increase the provision.

Details of each provision are included in Notes to the Accounting Statements.

24. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes, contingencies and cash flow management. Reserves are created by appropriating amounts out of the General Fund in the Movement in Reserves Statement. When expenditure is incurred it is charged to the service revenue account in the Comprehensive Income and Expenditure Statement. The reserve is appropriated back into the General Fund in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. A list of reserves for specific purposes, and an explanation of their use, is included in the notes to the Accounting Statements.

Capital Reserves are kept to manage the accounting processes for non-current assets and retirement benefits. These are not available for use by the Council for revenue purposes, and some can only be used for specific statutory purposes. These reserves are explained in the relevant notes to the Accounting Statements.

25. FINANCIAL ASSETS

Financial assets are classified into two main types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- assets held for sale – assets that do not fit under any other category; these are held at fair value and may include, for example, equity shareholdings and quoted investments, including UK Gilts.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Assets Available for Sale

Where financial instruments meet the Code criteria of “Assets Held for Sale” any change in fair value due to market conditions will be posted to ‘Other Comprehensive Income and

Expenditure' but will be reversed into the Financial Instruments Available for Sale Reserve. This will leave only the effective interest rate based on the amortised cost as a credit to the General Fund.

26. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

27. POST BALANCE SHEET EVENTS

Events after the Balance Sheet date which relate to conditions that existed at the balance sheet date, are adjusted in the Accounts and disclosures. For events occurring after the Balance Sheet date relating to conditions that arose after that date, adjustments are not made in the Accounts but details are disclosed in a note. Events taking place after the date of authorisation are not reflected in the Statement of Accounts.

28. CONTINGENT LIABILITIES

Where there is a possible obligation to make a payment, but the amount and timing is not certain, no entry is required to be made in the accounts. However, for each class of contingent liability which the Council has the following commentary has been included in the notes to the Accounting Statements:

- the nature of the contingency
- a brief description
- an estimate of the financial effect (where appropriate)
- an indication of the issues relating to the amount and level of certainty of any payment

29. CONTINGENT ASSETS

Contingent assets occur where a possible asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Council. No entry is required to be made in the accounts. However, for each class of contingent asset which the Council has, the following information has been included in the notes to the Accounting Statements:

- a commentary on the nature of the contingency
- a brief description
- an estimate of the financial effect (where appropriate)
- an indication of the issues relating to the amount and level of certainty of any receipt.

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2016/17
MOVEMENT IN RESERVES STATEMENT (D)

2015/16 Restated	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	**(11,942)**	**(6,790)**	**(307)**	**(19,039)**	**(10,618)**	**(29,657)**
Total Comprehensive Expenditure and Income	(203)	0	0	(203)	(5,919)	(6,122)
Adjustments between accounting basis & funding basis under regulations	(1,901)	(631)	(49)	(2,581)	2,581	0
Increase / Decrease in Year	**(2,104)**	**(631)**	**(49)**	**(2,784)**	**(3,338)**	**(6,122)**
Balance at 31 March 2016	**(14,046)**	**(7,421)**	**(356)**	**(21,823)**	**(13,956)**	**(35,779)**

As part of changes to the presentation of the accounts for 2016/17, General Fund Revenue balances (including earmarked reserves) have been restated as a single column. A detailed split down of all usable reserves is presented in note 9.

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	**(14,046)**	**(7,421)**	**(356)**	**(21,823)**	**(13,956)**	**(35,779)**
Total Comprehensive Expenditure and Income	(1,917)	0	0	(1,917)	(2,108)	(4,025)
Adjustments between accounting basis & funding basis under regulations	(2,146)	636	(495)	(2,005)	2,005	0
Increase / Decrease in Year	**(4,063)**	**636**	**(495)**	**(3,922)**	**(103)**	**(4,025)**
Balance at 31 March 2017	**(18,109)**	**(6,785)**	**(851)**	**(25,745)**	**(14,059)**	**(39,804)**

See Note 8 for an explanation of the detailed transactions supporting the amounts above.

Total Reserves can be analysed between capital and revenue as follows:	**2015/16 £000**	**2016/17 £000**
Capital	(7,777)	(7,636)
Revenue	(14,046)	(18,109)
Pensions	30,097	38,927
Other unusable reserves	(44,053)	(52,986)
Total	**(35,779)**	**(39,804)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2016/17
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (D)

2015/16 Restated Gross Expenditure £000	Gross Income £000	Net £000		Note	2016/17 Gross Expenditure £000	Gross Income £000	Net £000
23,277	(20,422)	2,855	Resources		21,449	(19,132)	2,317
2,064	(226)	1,838	Performance and Innovation		2,264	(402)	1,862
7,151	(4,237)	2,914	Strategic Development		8,455	(7,318)	1,137
14,258	(7,842)	6,416	Neighbourhood Services		15,119	(10,411)	4,708
46,750	**(32,727)**	**14,023**	**Cost of Services**	10	**47,287**	**(37,263)**	**10,024**
			Other Operating Income and Expenditure				
		(1,770)	Loss/(Gain) on the Disposal of non current Assets	6			(1,150)
		1,363	Parish council precepts				1,438
		92	Parish Council Tax Reduction grant				92
		44	Pension Administration Costs	34			55
		(271)					**435**
			Financing and Investment Income and Expenditure				
		573	Interest Payable	25			567
		1,057	Net interest payable on net pension liability	34			992
		(170)	Investment Interest income	25			(158)
		(192)	Changes in fair value of Investment Properties	22			219
		76	Trading accounts (gain)/losses	11			701
		(387)	Income received on Investment Properties				(442)
		49	Expenses incurred on Investment Properties				117
		1,006					**1,996**
			Taxation and Non-Specific Grant Income				
		(9,213)	Council Tax Income	Cfund			(9,549)
		(15,858)	Non domestic rates Income	Cfund			(15,884)
		938	Non-domestic rates levy				572
		14,104	Non-domestic rates tarrif				14,222
		(493)	Income from Cumbria NNDR Pool				(307)
		(2,230)	Section 31 Grant				(1,577)
		(1,804)	Revenue Support Grant				(934)
		(106)	Other Government Grant				(551)
		(299)	Recognised Capital grants and contributions				(364)
		(14,961)					**(14,372)**
		(203)	**Surplus or Deficit on Provision of Services**				**(1,917)**
		(1,014)	Surplus or Deficit on revaluation of Non-Current Assets	32e			(10,831)
		235	Non-Current Asset impairment charged to Revaluation Reserve	32e			638
		(4)	Movement in fair value of Financial Assets Available for Sale	32f			23
		(5,136)	Re-measurements of Net Defined Benefit Pension Liability	34			8,062
		(5,919)	**Other Comprehensive Income and Expenditure**				**(2,108)**
		(6,122)	**Total Comprehensive Income and Expenditure**				**(4,025)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2016/17
BALANCE SHEET (D)

31 March 2016 £000		Note	31 March 2017 £000	£000
	NON CURRENT ASSETS			
	Property, Plant and Equipment	17		
44,733	Other Land & Buildings		54,391	
4,654	Vehicles, Plant & Equipment		4,882	
4,259	Infrastructure		4,087	
171	Community Assets		171	
765	Assets under construction		544	
0	Surplus Assets		100	
54,582			**64,175**	
2,107	**Heritage Assets**	21	2,107	
4,960	**Investment Property**	22	4,729	
159	**Intangible Assets**	19	148	
143	**Long Term Debtors**		112	
3,036	**Long Term Investments**	25	3,000	
64,987	**TOTAL NON CURRENT ASSETS**			**74,271**
	CURRENT ASSETS			
7,000	**Short Term Investments**	25	9,022	
5,824	**Short Term Debtors**	27	5,018	
8,295	**Cash and Cash Equivalents**	26	10,509	
43	**Assets held for sale**	20	0	
21,162	**TOTAL CURRENT ASSETS**			**24,549**
	CURRENT LIABILITIES			
(5,639)	**Short Term Creditors**	28	(5,109)	
(1,270)	**Grant Receipts in Advance**	28	(455)	
(283)	**Short Term Borrowing**	25	0	
(1,199)	**Provisions**	29	(1,725)	
(8,391)	**TOTAL CURRENT LIABILITIES**			**(7,289)**
77,758	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**91,531**
	NON CURRENT LIABILITIES			
(12,800)	**Long Term Borrowing**	25	(12,800)	
(29,179)	**Other Long Term Liabilities (Net Pension Liability)**	34	(38,927)	
(41,979)	**NON CURRENT LIABILITIES**			**(51,727)**
35,779	**NET ASSETS**			**39,804**
(21,823)	**Usable Reserves**	9	(25,745)	
(13,956)	**Unusable Reserves**	32	(14,059)	
(35,779)	**TOTAL RESERVES**			**(39,804)**

Signed SM'Gregor **Date** 20/09/2017
Assistant Director (Resources) Section 151 Officer

Signed S. J. Coleman. **Date** 20/09/2017
Stephen Coleman, Chair of Audit Committee. Approved by Audit Committee 20/9/2017

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2016/17
CASH FLOW STATEMENT (D)

2015/16 £000		2016/17 £000
	REVENUE ACTIVITIES	
203	Net surplus or (deficit) on the provision of services	1,917
	Adjusted for non cash items:	
3,343	Depreciation/amortisation/impairments	2,473
(8)	Adjustments for movements in fair value of investments	(9)
276	Increase / Decrease in Debtors, Creditors & Stocks	(936)
962	Pension Liability	768
183	Contribution to/from Provisions	526
5	Carrying amount of non-current assets sold	158
276	Increase Decrease in interest Creditors & Debtors	(283)
(192)	Movement in Investment Property values	219
4,845	**Total adjustment for non cash items**	**2,916**
(2,402)	Adjusted for investing and financing activities	(1,671)
2,646	Net Cash Flow from Operating Activities	**3,162**
	INVESTING ACTIVITIES	
(4,048)	Purchase of PPE, investment property and intangible assets	(1,976)
(68,148)	Purchase of short-term and long-term investments	(55,582)
(5)	Other payments for investing activities	0
1,223	Proceeds from the sale of PPE, investment property and intangible assets	1,342
67,848	Proceeds from short-term and long-term investments	53,582
1,966	Other receipts from investing activities	1,659
(1,164)	Net Cash (Inflow) / Outflow from Investing Activities	**(975)**
	CASH FLOW FROM FINANCING ACTIVITIES	
0	Other receipts from financing activities	27
(878)	Other payments for financing activities	0
(878)	Net Cash Flow from Financing Activities	27
604	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**	**2,214**
7,691	Cash and cash equivalents at start of accounting period	8,295
8,295	Cash and cash equivalents at end of accounting period	10,509
604	**MOVEMENT PER THE BALANCE SHEET**	**2,214**

Cash flows from operating activities include the following cash flows relating to interest:

155	Interest Received	146
(290)	Interest Paid	(850)
(135)		**(704)**

SOUTH LAKELAND DISTRICT COUNCIL
EXPENDITURE AND FUNDING ANALYSIS 2016/17 (E)

The Expenditure and Funding Analysis is presented below. This reconciles the internal management reporting to the amounts presented in the Comprehensive Income and Expenditure Statement. A detailed analysis of the adjustments in columns (ii) and (iv) are presented on a segmental basis in note 10. Column (iii) represents the amount chargeable to the General Fund in year, under statute. Note 8 gives further details of all adjustments between the accounting and funding basis under statute.

2016/17

	As reported for resource management (i)	Adjustments to arrive at net amount chargeable to GF (ii)	Net Expenditure Chargeable to the General Fund (iii)	Adjustments between Funding and Accounting Basis (iv)	Net Expenditure in the CIES (v)
	£000	£000	£000	£000	£000
Resources	2,317	285	2,602	(285)	2,317
Performance and Innovation	1,862	(180)	1,682	180	1,862
Strategic Development	815	(1,336)	(521)	1658	1,137
Neighbourhood Services	5,406	(1,990)	3,416	1292	4,708
Net cost of Services	10,400	(3,221)	7,179	2,845	10,024
Other income and expenditure	(10,400)	(842)	(11,242)	(699)	(11,941)
Surplus/Deficit on Provision of Services	0	(4,063)	(4,063)	2,146	(1,917)

Opening General Fund Balances	(14,046)
Surplus/Deficit (-/+)	(4,063)
Closing General Fund Balances	(18,109)

*In addition, other transfers of £18k were made into the General Fund balances from other usable reserves, bringing the total closing balance to £18,127k, being the total of General Reserve Earmarked and General Fund Working balance. A detailed breakdown of contributions to/from reserves is presented in note 9.

2015/16

	As reported for resource management (i)	Adjustments to arrive at net amount chargeable to GF (ii)	Net Expenditure Chargeable to the General Fund (iii)	Adjustments between Funding and Accounting Basis (iv)	Net Expenditure in the CIES (v)
	£000	£000	£000	£000	£000
Resources	2,855	252	3,107	(252)	2,855
Performance and Innovation	1,838	(149)	1,689	149	1,838
Strategic Development	2,567	(855)	1,712	1,202	2,914
Neighbourhood Services	6,483	(2,235)	4,248	2,168	6,416
Net cost of Services	**13,743**	**(2,987)**	**10,756**	**3,267**	**14,023**
Other income and expenditure	(13,743)	883	(12,860)	(1,366)	(14,226)
Surplus/Deficit on Provision of Services	**0**	**(2,104)**	**(2,104)**	**1,901**	**(203)**

Opening General Fund Balances	**(11,942)**
Surplus/Deficit (-/+)	(2,104)
Closing General Fund Balances	**(14,046)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2016/17
NOTES TO THE ACCOUNTS (F)

The following Notes are presented in an order that corresponds with the layout of the main Statements. The full index of Notes is as follows:

OVERVIEW (general principles)

MOVEMENT IN RESERVES

COMPREHENSIVE INCOME AND EXPENDITURE and EFA

BALANCE SHEET

OTHER (supporting a number of statements or of general interest)

OVERVIEW

1. Change of Accounting Policy and Prior Period errors

The 2016/17 Code introduces no material changes to accounting policies. Changes to the presentation of the CIES have been introduced so that financial performance is now reported in the accounts on the same segmental basis as for internal reporting. The prior year comparatives in the CIES and the MIRS have been restated. The changes do not impact on the balance sheet so a third comparative balance sheet as at 1/4/2015 has not been prepared. An additional Expenditure and Funding analysis has also been included to reconcile the out-turn position reported internally to the statement of accounts. The existing segmental analysis has been adapted to reconcile between the CIES and the EFA (see note 10). The table below summarises how the previous cost of service headings map on to the new disclosures under the Assistant Director structure:

	Resources £000	Performance and Innovation £000	Strategic Development £000	Neigh'hood Services £000	Total £000
Income					
Central services to the public	(1,218)	(206)	(427)	0	**(1,851)**
Cultural and Related Services	0	0	(156)	(1,470)	**(1,626)**
Environmental and Regulatory Services	(86)	0	(5)	(2,086)	**(2,177)**
Planning services	(38)	(8)	(1,324)	0	**(1,370)**
Highways, roads and transport services	0	0	0	(4,295)	**(4,295)**
Other housing services	(19,077)	0	(2,316)	0	**(21,393)**
Corporate and democratic core	(3)	(12)	0	0	**(15)**
Non distributed costs	0	0	(9)	9	**0**
Total	**(20,422)**	**(226)**	**(4,237)**	**(7,842)**	**(32,727)**
Expenditure					
Central services to the public	1,987	864	308	50	**3,209**
Cultural and Related Services	0	209	1,081	3,882	**5,172**
Environmental and Regulatory Services	124	151	264	7,480	**8,019**
Planning services	55	215	3,520	23	**3,813**
Highways, roads and transport services	39	0	0	2,823	**2,862**
Other housing services	19,136	59	1,978	0	**21,173**
Corporate and democratic core	1,901	566	0	0	**2,467**
Non distributed costs	35	0	0	0	**35**
Total	**23,277**	**2,064**	**7,151**	**14,258**	**46,750**
Net Expenditure					
Central services to the public	769	658	(119)	50	**1,358**
Cultural and Related Services	0	209	925	2,412	**3,546**
Environmental and Regulatory Services	38	151	259	5,394	**5,842**
Planning services	17	207	2,196	23	**2,443**
Highways, roads and transport services	39	0	0	(1,472)	**(1,433)**
Other housing services	59	59	(338)	0	**(220)**
Corporate and democratic core	1,898	554	0	0	**2,452**
Non distributed costs	35	0	(9)	9	**35**
Total	**2,855**	**1,838**	**2,914**	**6,416**	**14,023**

2. Accounting Standards that have been issued but not yet adopted and other issues

There is currently no material impact anticipated from standards that have been issued but not yet adopted in the Code, or which are due to be adopted in the 2017/18 Code. The Accounts and Audit Regulations (2015) have brought forward the closure of Local Government accounts, for 2017/18 the audited statements will need to be published no later than 31/7/2018. Preparation has started and the Council is confident of meeting this earlier deadline.

There are changes to the Code anticipated in later years relating to IFRS9 (Financial Instruments, 2018/19 implementation), IFRS 15 (Income Recognition, 2018/19 implementation), and IFRS 16 (Leases, 2019/20 implementation). These are likely to have an impact subject to the exact provisions ultimately adopted in the Code.

The likely impacts include removal of the financial asset category ‘held for sale’ and the statutory adjustment that protects the General Fund from fair value fluctuations of these assets. It is also likely that most leased assets, and the associated liabilities, will be recognised (to an extent) on the balance sheet. Given the potential length of leases and some financial assets, it is likely that leasing and investment transactions entered into over the next reporting period may ultimately be subject to these new standards.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about the future levels of funding for local government. However, the Medium Term Financial Plan (MTFP) sets out savings targets that are judged to be achievable and so ensure that the Council remains a going concern.
- Leisure centre values are completed on a Depreciated Replacement Cost (DRC) basis as an estimate of their fair value in existing use. Although the assets are leased out, under the current management arrangement the Council is, on balance, judged to retain the service potential of the assets. This means that the value of the assets remains on the Council’s balance sheet.
- The values of non-current assets and net defined pension liability are material figures on the balance sheet reliant on the input of experts to provide valuations. Suitably qualified professionals are used to provide these values. Differences in opinion between professionals could produce different results. Statutory provisions are in place to prevent these revaluations having an impact on the Council’s usable reserves.

4. Changes in Accounting Estimates

There have been no material changes in estimation techniques for 2016/17. The Council changed its property services provider during the year from NPS North West Limited to Lambert Smith Hampton Group Limited. The non-current asset values have been provided by a different qualified valuer which has led to a material increase in the value of some assets, particularly car parks. These are not due to changes in the estimation techniques but due to differences in the information used to derive the estimates, such as yields, price indexes and assumptions about future events.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures. These take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. In addition, the UK voted to leave the EU on 23 June 2016. Although this is not judged to create any additional risk in terms of the current set of financial statements, this creates significant uncertainty around the statutory and macro-economic environment of the Council in the future. The items in the Council's Balance Sheet at 31 March 2017 for which there could potentially be a material adjustment in the forthcoming financial year are as follows:

Description	Detail	Consequences
Property Plant and Equipment (Balance Sheet values 31 March 16 £54.6m 31 March 17 £64.1m)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. A 1 year reduction to asset lives overall would increase the depreciation charge in year by circa £100k. However, there are statutory over-rides in place that remove the impact of depreciation from the Council's usable reserves.
Non-current assets held at current value (Balance Sheet values 31 March 16 £59.7m 31 March 17 £69.3m)	Values of assets are dependent on outside market forces that are reliant on the national and global economic conditions. See also note 3 above in relation to DRC valuations that are used, where no active market exists.	A reduction of 1% in the value of assets would reduce the net worth of the Council by £0.7m. However, there are statutory over-rides in place to remove the impact of impairment on capital assets on usable reserves.
Pensions Liability (Balance Sheet values 31 March 2016 £29.2m 31 March 2017 £38.9)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide Cumbria County Council, the administering authority, with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured, however, there are statutory over-rides in place to ensure that the impact on the Council's usable reserves is limited to the amounts actually payable in year.
Arrears	At 31 March 2017, the Council had a net balance of £5.0m for short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £1.5m was appropriate. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.5m to set aside as an allowance.
NDR appeals provision	As part of the new Business Rates Retention scheme, the Council is now directly impacted by rates appeals. A gross provision of £2.30m has been set aside and 40% of this, £888k, relates to the Council's share of Rates income.	If the rate and/or success of appeals lead to a doubling of the overall loss of income, this would cost the Council a further £888k although the impact may be deferred.

To mitigate the risk of material error arising from PPE valuations, the Council operates a 4 year rolling programme of asset valuations. In addition, where the professional valuers identify evidence that an asset may need reviewing, this will also be done outside of the main programme. As noted above, during the year, a significant increase was seen in the value of the car park assets. This is mainly attributable to changes in the judgements and opinions supporting the estimation techniques used by the new incumbent property services provider (Lambert Smith Hampton Group Limited). Following this, an assessment of the remaining PPE assets held at current value was completed and a number of other assets were identified for review outside of the 4 year rolling programme. The possibility of potential prior year error was also assessed and the results of this review are summarised below:

	2015/16 valuations			2016/17 valuations		
	Original £000	**Revised £000**	**Difference £000**	**Original £000**	**Revised £000**	**Difference £000**
Kendal Leisure Centre	6,627	7,229	602	6,230	7,374	1,144
Lake Windermere	7,606	7,950	344	7,574	8,330	756
South Lakeland House	1,978	1,880	(98)	1,942	1,880	-62
Lowther street	279	300	21	273	300	27
Kendal Town Hall	833	710	(123)	812	710	(102)
	17,323	**18,069**	**746**	**16,831**	**18,594**	**1,763**

Overall, although there is a difference in 2015/16, this is not judged to be material. The review did however flag that the 31/3/2017 values for these assets should be uplifted; these are reflected in the balance sheet.

6. Material Items of Income and Expense

The major items of income and expenditure not shown separately on the face of the CIES are:

	2016/17 £000	**2015/16 £000**
Housing Benefit payments (Rent Allowances, within Resources)	17,334	18,570
Car Park Income (within Neighbourhood Services)	(4,350)	(4,174)
Flood Resiliance Grant cost (within Neighbourhood services)	2,138	37
Lake Windermere Income (within Neighbourhood services)	(1,366)	(1,212)
SLDC share of Right to Buy receipts (within surplus on disposal of non current assets)	(837)	(1,195)
SLDC share of VAT shelter income (within surplus on disposal of non current assets)	(323)	(508)
Revaluation of Car Parking and Lake assets included within Other CIES	(10,193)	-
Second Homes income agreement (within Strategic Planning)	(652)	(631)
Recycling Credits (within Neighbourhood Services)	(1,310)	(1,224)

See also note 16 for material income from grants.

7. Events after the Balance Sheet Date

No adjusting or non-adjusting post balance sheet events have been reflected in the statements.

MOVEMENT IN RESERVES

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments between the accounting basis and funding basis under regulations, as shown within the Movement in Reserves Statement.

2016/17	General Fund Balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Authority Reserves £000**
Capital Adjustment Account						
Reversal of items recognised in the CIES						
Amortisation of intangible fixed assets	(17)	0	0	**(17)**	**17**	**0**
Depreciation	(2,570)	0	0	**(2,570)**	**2,570**	**0**
Impairment/revaluation losses to I&E	114	0	0	**114**	**(114)**	**0**
Movement in market value of Investment Properties	(219)	0	0	**(219)**	**219**	**0**
Revenue funded from Capital under Statute (REFCUS)	(4,259)	0	0	**(4,259)**	**4,259**	**0**
REFCUS Grants	2,894	0	(387)	**2,507**	**(2,507)**	**0**
Capital grants applied	0	0	51	**51**	**(51)**	**0**
Value of non current assets sold	(158)	0	0	**(158)**	**158**	**0**
					0	**0**
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	371	0	0	**371**	**(371)**	**0**
Capital expenditure financed from revenue	840	0	0	**840**	**(840)**	**0**
Capital grants/CIL credited to CIES	364	0	(159)	**205**	**(205)**	**0**
Adjustments involving Capital Receipts						
Transfer of non current asset sales proceeds	1,307	(1,307)	0	**0**	**0**	**0**
Use of Capital Receipts to fund capital expenditure	0	1,947	0	**1,947**	**(1,947)**	**0**
Financing of payments to Capital receipts pool				**0**	**0**	**0**
Transfer from deferred receipts on receipt of cash	0	(4)	0	**(4)**	**4**	**0**
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(3,288)	0	0	**(3,288)**	**3,288**	**0**
Employer's payments in the year	2,520	0	0	**2,520**	**(2,520)**	**0**
Collection Fund Adjustment Account NDR	(43)	0	0	**(43)**	**43**	**0**
Collection Fund Adjustment Account Ctax	(2)	0	0	**(2)**	**2**	**0**
Accumulated Absences Account	0	0	0	**0**	**0**	**0**
Adjustments between accounting basis & funding basis under regulations	**(2,146)**	**636**	**(495)**	**(2,005)**	**2,005**	**0**

Note 8 continued…

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/CIL Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Capital Adjustment Account						
Reversal of items recognised in the CIES						
Amortisation of intangible fixed assets	(81)	0	0	(81)	**81**	**0**
Depreciation	(2,288)	0	0	(2,288)	**2,288**	**0**
Impairment/revaluation losses to I&E	(974)	0	0	(974)	**974**	**0**
Movement in market value of Investment Properties	192	0	0	192	**(192)**	**0**
Revenue funded from Capital under Statute (REFCUS)	(960)	0	0	(960)	**960**	**0**
Grants applied on REFCUS	346	0	0	346	**(346)**	**0**
Value of non current assets sold	(4)	0	0	(4)	**4**	**0**
Capital Grants applied	0	0	43	43	**(43)**	**0**
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	205	0	0	205	**(205)**	**0**
Capital expenditure financed from revenue	807	0	0	807	**(807)**	**0**
Capital grants/CIL unapplied credited to CIES	**299**	0	**(92)**	**207**	**(207)**	**0**
Adjustments involving Capital Receipts						
Transfer of non -current asset sales proceeds	1,775	(1,775)	0	0	**0**	**0**
Use of Capital Receipts to fund capital expenditure	0	1,172	0	1,172	**(1,172)**	**0**
Transfer from deferred receipts on receipt of cash	0	(28)	0	(28)	**28**	**0**
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(3,443)	0	0	(3,443)	**3,443**	**0**
Employer's payments in the year	2,481	0	0	2,481	**(2,481)**	**0**
Collection Fund Adjustment Account NDR	(241)	0	0	(241)	**241**	**0**
Collection Fund Adjustment Account Ctax	(15)	0	0	(15)	**15**	**0**
Accumulated Absences Account	**0**	0	0	**0**	**0**	**0**
Adjustments between accounting basis & funding basis under regulations	**(1,901)**	**(631)**	**(49)**	**(2,581)**	**2,581**	**0**

9. Transfers to/from usable reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet expenditure. It also shows other usable reserves to give a complete overview of usable reserves shown on the balance sheet.

	Balance 1/4/2015 £000	Transfers out £000	Transfers in £000	Balance 31/3/2016 £000	Transfers out £000	Transfers in £000	Balance 31/3/2017 £000
General Reserve	(6,920)	313	(931)	(7,538)	0	(802)	(8,340)
Statutory Duties Reserve	(150)	0	0	(150)	32	0	(118)
Flooding Costs Reserve	0	0	(250)	(250)	50	0	(200)
Debt Redemption Reserve	(205)	0	(250)	(455)	0	0	(455)
Economic Development Fund	(101)	57	(124)	(168)	77	(128)	(219)
Kendal Employment Development Fund	(14)	0	0	(14)	0	0	(14)
Revenue Funds for Capital	(100)	0	(185)	(285)	0	(246)	(531)
Building Control Fee Income Reserve	0	49	(49)	0	(14)	14	0
Second Homes Income Reserve	(209)	747	(538)	0	700	(700)	0
IT Replacement Reserve	(124)	75	(75)	(124)	62	(40)	(102)
Revs and Bens IT reserve	(10)	0	0	(10)	0	0	(10)
LABGI (Local Authority Business Growth Initiative)	(37)	18	0	(19)	14	0	(5)
Planning Delivery Grant Fund	(74)	0	(52)	(126)	68	0	(58)
Waste Contract Reserve	(396)	46	0	(350)	350	0	0
Local Land Charges Reserve	14	52	(119)	(53)	0	(13)	(66)
Local Arts Strategic Partnership Reserve	(51)	0	0	(51)	21	0	(30)
New Homes Bonus Reserve	(58)	457	(737)	(338)	527	(944)	(755)
General Fund Major Repairs Reserve	(508)	0	(50)	(558)	11	(50)	(597)
Social Lettings Reserve	(20)	0	0	(20)	0	0	(20)
NNDR Surplus Reserve	(699)	0	(241)	(940)	106	(122)	(956)
Cumbria NDR Pool Income Reserve	(291)	219	(398)	(470)	0	(307)	(777)
Cumbria NDR Pool volatility Reserve	(71)	0	(95)	(166)	0	0	(166)
Commuted Sums Reserve	(77)	5	(48)	(120)	5	(35)	(150)
LSVT Environmental Warranties	(341)	0	0	(341)	0	0	(341)
Customer Connect Reserve	0	0	0	0	0	(323)	(323)
Marshall Hooper Reserve	0	0	0	0	0	(37)	(37)
Community Housing Fund	0	0	0	0	0	(2,357)	(2,357)
Total Earmarked Revenue Reserves	**(10,442)**	**2,038**	**(4,142)**	**(12,546)**	**2,009**	**(6,090)**	**(16,627)**
Other Usable Reserves:							
Usable capital receipts	**(6,790)**	**1,172**	**(1,803)**	(7,421)	1,947	(1,311)	**(6,785)**
CIL Fund Reserve	**0**	**0**	**(18)**	(18)	0	(131)	**(149)**
Capital Grants Unapplied	**(307)**	**250**	**(281)**	(338)	2,753	(3,099)	**(684)**
GF Working balance	**(1,500)**	**2,104**	**(2,104)**	(1,500)	4,063	(4,063)	**(1,500)**
Total Usable Reserves	**(19,039)**	**5,564**	**(8,348)**	**(21,823)**	**10,772**	**(14,694)**	**(25,745)**

Purpose of Reserves

General Fund Earmarked Reserves:

- *General Reserve* – Buffer against financial risks; pension rates, government grants, investment income. Assistance towards the costs of risk management. £400k is set aside with use by officers under delegation on costs of statutory duties and further costs linked to the December 2015 floods.
- *Debt Redemption Reserve* – resources set aside from underspends on financing costs for future repayment of borrowings
- *Economic Development Fund* – To encourage economic development in the District.
- *Kendal Employment Development Fund* – Assistance to eligible firms in the Kendal area.
- *Revenue Funds for Capital* – Monies provided from revenue resources to support the Capital Programme and fund expenditure that cannot be capitalised.

- *Building Control Fee Income Reserve* – Statutory ring-fenced reserve to record surpluses and losses on the trading activities of Building Control.
- *Second Homes Income Reserve* – Initiatives to enable the provision of affordable housing.
- *IT Replacement Reserve* – Replacement of IT equipment.
- *Revs and Bens IT Reserve* – amounts set aside to support IT upgrades within Revenues and Benefits
- *LABGI* –Non-recurring initiatives that contribute directly to one or more of the Council's priority objectives, with preference for economic regeneration.
- *Planning Delivery Grant Fund* – Monies provided by Planning Delivery Grant in 2009/10 carried forward for use in subsequent years.
- *Waste Contract Reserve* – Surplus/deficit on Waste Contract
- *Local Land Charges Reserve* - ring fenced reserve to record surpluses and losses on land charges activities
- *Local Arts Strategic Partnership Reserve* – New reserve to promote partnership working to fund local arts projects
- *New Homes Bonus Reserve* – reserve for New Homes Bonus funding which provides incentives for Local Authorities to promote growth in their communities, based on past increases in housing supply.
- *General Fund Major Repairs Reserve* – Major repairs and renewals of Council assets.
- *Social Lettings Reserve* – amounts set aside from surpluses on the Social Lettings scheme to provide funds for any property dilapidations.
- *NNDR Surplus Reserve* – amounts set aside to support future year budget impacts of in year deficits on Retained Business Rates.
- *Cumbria NDR Pool Income Reserve* – income from the Cumbria NDR pool
- *Cumbria NDR Pool Volatility Reserve* – SLDC share of the volatility reserve set up by the Cumbria Pool to protect against fluctuation of pool income.
- *Commuted Sums Reserve* – external contributions from developers to support future maintenance or capital works.
- *LSVT Environmental Warranties* – a warranty was given to South Lakes Housing in 2012 for 30 years against the possible cost of environmental pollution. Insurance has been purchased for 10 years, this money is set aside to provide further insurance beyond the 10 year period.
- *Customer Connect Reserve* – These are sums to be drawn down as required to support the implementation of the Customer Connect Programme.
- *Marshall Hooper Reserve* – This is a legacy from the estate of the late Marshall Hooper to be used in relation to housing schemes in Grange-over-Sands.
- *Community Housing Fund* Reserve – This reserve relates to the Community Housing Fund grant income to be used to support community led housing development.

Usable Capital Receipts – Proceeds of non-current asset sales available to meet future capital investment

Capital Grants Unapplied – Capital grants received for financing capital schemes but not yet used

CIL Contributions unapplied – this relates to Community Infrastructure levy which has been raised but not paid or used to fund allowable administration costs.

General Fund Working Balance – Resources available to meet future running costs for services.

COMPREHENSIVE INCOME AND EXPENDITURE and EFA

10. Segmental Reporting.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is on a segmental basis including any adjustments relating to proper accounting practice. The segmental analysis below gives further detail on the adjustments required between the reporting, funding and accounting basis. The first table sets out a full segmental analysis of the Cost of Services in the CIES including the relevant funding adjustments as per the EFA column (iv). The table below reconciles the adjustments in EFA column (iv) to EFA column (ii). Please note that the signs are reversed as this analysis starts with the CIES figures (EFA column v).

2016/17	Neighbourhood Services	Performance and Innovation	Resources	Strategic Development	CIES
	£000	£000	£000	£000	£000
Income:					
Income from fees and charges	(6,939)	(20)	(266)	(2,314)	(9,539)
REFCUS income*	(2,138)	0	0	(756)	(2,894)
Grants and contributions	(1,334)	(382)	(18,866)	(4,248)	(24,830)
Total	**(10,411)**	**(402)**	**(19,132)**	**(7,318)**	**(37,263)**
Expenditure:					
Employees	2,522	1,951	3,165	3,171	10,809
Pension accounting adjustments**	1	1	(285)	2	(281)
Other Service Expenditure	7,875	1,737	18,779	2,893	31,284
Support Service Charges in	3,365	1,309	4,372	2,743	11,789
Support Service Charges out	(2,073)	(2,913)	(4,582)	(2,766)	(12,334)
Depreciation*	1,512	76	0	287	1,875
REFCUS*	2,158	103	0	1,998	4,259
Impairments*	(241)	0	0	127	(114)
Total	**15,119**	**2,264**	**21,449**	**8,455**	**47,287**
Cost of services	**4,708**	**1,862**	**2,317**	**1,137**	**10,024**
Other income and expenditure on provision of services (per CIES)					(11,941)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					**(1,917)**
Reversal of Service funding adjustments					
*Capital adjustments	1,291	179	0	1,656	3,126
**Pension adjustments	1	1	(285)	2	(281)
EFA column (iv) services	**1,292**	**180**	**(285)**	**1,658**	**(2,845)**
Funding adjustments in other income and expenditure:					
Pension					(2)
Depreciation					(712)
Other adjustments as per note 8:					
Value of non current assets sold					(158)
Statutory provision for repayment of debt (MRP)					371
Capital expenditure financed from revenue					840
Capital grants/CIL unapplied credited to CIES					364
Transfer of non current asset sales proceeds					1,307
Reversal of movement in investment property values					(219)
Reversal of other IAS19 items					(1,047)
Collection Fund Adjustment Account NDR					(45)
Adjustments between accounting and funding basis (EFA column (iv))					**(2,146)**
Total movement on General Fund balances (Per MIRS and EFA column (iii))					**(4,063)**

Note 10 continued…

2015/16

	Neighbourhood Services	Performance and Innovation	Resources	Strategic Development	CIES
	£000	£000	£000	£000	£000
Income:					
Income from fees and charges	(6,538)	(40)	(254)	(2,162)	(8,994)
REFCUS income*	0	0	0	(346)	(346)
Grants and contributions	(1,304)	(186)	(20,168)	(1,729)	(23,387)
Total	**(7,842)**	**(226)**	**(20,422)**	**(4,237)**	**(32,727)**
Expenditure:					
Employees	2,200	2,092	3,129	3,067	10,488
Pension accounting adjustments**	25	23	(252)	34	(170)
Other Service Expenditure	8,847	1,592	20,038	2,542	33,019
Support Service Charges in	2,410	1,180	4,710	2,434	10,734
Support Service Charges out	(1,367)	(2,949)	(4,348)	(2,440)	(11,104)
Depreciation*	1,498	126	0	225	1,849
REFCUS*	20	0	0	940	960
Impairments*	625	0	0	349	974
Total	**14,258**	**2,064**	**23,277**	**7,151**	**46,750**
Cost of services	**6,416**	**1,838**	**2,855**	**2,914**	**14,023**
Other income and expenditure on provision of services (per CIES)					(14,226)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					**(203)**
Reversal of Service funding adjustments					
*Capital adjustments	(2,143)	(126)	0	(1,168)	(3,437)
**Pension adjustments	(25)	(23)	252	(34)	170
EFA column (iv) Cost of Services	**(2,168)**	**(149)**	**252**	**(1,202)**	**(3,267)**
Funding adjustments in other income and expenditure:					
Pension					(30)
Depreciation					(521)
Other adjustments as per note 8:					
Value of non current assets sold					(4)
Statutory provision for repayment of debt (MRP)					205
Capital expenditure financed from revenue					807
Capital grants/CIL unapplied credited to CIES					299
Transfer of non current asset sales proceeds					1,775
Reversal of movement in investment property values					192
Reversal of other IAS19 items					(1,101)
Collection Fund Adjustment Account NDR					(256)
Adjustments between accounting and funding basis (EFA column (iv))					**(1,901)**
Total movement on General Fund balances (Per MIRS and EFA column (iii))					**(2,104)**

Note 10 continued…

The following note explains the adjustments within EFA column (ii). Within the service segmental analysis, the only differences between column (ii) and column (iv) relate to presentation of trading accounts and investment properties. These are presented as corporate items within the CIES but are managed within service segments for resource allocation purposes. The service segmental analysis above therefore explains most of the column (ii) adjustments and reconciliation is provided.

	2016/17 £000	2015/16 £000
Reconciliation to EFA column (ii):		
Reverse EFA column (iv) Cost of Services	(2,845)	(3,267)
Less presentation adjustments of corporate items:		
Trading accounts	(701)	(76)
Investment properties within Strategic Development	321	328
Investment properties within Neighbourhood Services	4	10
CIL income	0	18
EFA column (II) Cost of Services	**(3,221)**	**(2,987)**
Other Income and Expenditure adjustments		
Service items presented corporately	376	(280)
Capital charges in corporate items	(712)	(521)
Pension adjustmens in corporate items	(2)	(30)
Reversal of total capital items	3,838	3,957
Reversal of total pension items	(279)	(139)
Net movement on Reserves	(4,063)	(2,104)
EFA column (II) other I&E	**(842)**	**883**
EFA column (ii) total	**(4,063)**	**(2,104)**

11. Trading Operations

Following competitive tender, the Council operates an in-house street cleaning, domestic waste and kerbside recycling collection service. The contract started on 1st April 2010, running for 7 years and ended 31st March 2017.

Trading operations are shown separately in the Comprehensive Income & Expenditure Statement within Financing and Investment Income and Expenditure.

	2016/17 £000	2015/16 £000
Turnover	(5,202)	(5,124)
Expenditure	5,903	5,200
Net deficit on trading operations	**701**	**76**

12. Agency Services

The Council acts as agent to several other organisations for the following services:-

- Car Parks - managing car parks
- Lake Windermere - collect lake fees on behalf of Lake District National Park Authority
- Public Halls - taking accommodation bookings and selling event tickets
- South Lakes Housing – rent collection
- Department for Communities and Local Government – administration of £500 flood relief grants

The Council also has an agency agreement with the following:

- the Camping and Caravanning Club, who run Braithwaite Fold Caravan Site on its behalf
- South Lakes Housing – collection of Town View Fields Hostel, 12 Mintsfeet, Stockghyll Cottage and 62 Castle Street rents
- Windermere Lake Cruises who run the Rectory Road Car Park

The management or commission fees, received or paid, vary according to the agreement in place or the service provided. The collection of NNDR as agent for Central Government and the County Council, and Council Tax collected on behalf of other local precepting authorities is not included here and is reflected in the Collection Fund.

In addition, the Council hosts the shared IT service with Eden District Council. This is a jointly managed service albeit staff are employees of SLDC and expenditure goes through SLDCs ledger. The matching income and expenditure from Eden have been de-recognised (£267k gross) within SLDC's CIES on the grounds that having the gross figures would not reflect the underlying relationship, ie that this is a shared service rather than SLDC providing a service to another authority.

The table below summarises the agency income and expenditure for the period:

	2016/17 £000	2015/16 £000
SLDC Acting as Agent for Other Organisations		
Income paid over to organisations and individuals	1,004	1,836
Management fees received by SLDC	(131)	(129)
Other Organisations Acting as Agent for SLDC		
Income Received	(688)	(604)
Agency Fee Paid By SLDC	34	34

Note 12 continued….

The main variations in income paid over are:

- rental income that is still collected by SLDC in relation to South Lakes Housing has reduced a further £133k during 2016/17 as financial arrangements for cash collection have transferred to SLH, the total collected by SLDC on behalf of South Lakes Housing was £149k during 2015/16 vs £16k for 2016/17.
- During 2016/17 £31k was paid through the £500 flood relief grant scheme on behalf of Central Government, compared to 2015/16 where £741k was paid.
- There was a £43k reduction of payments made for Public Halls during 2016/17 following the transfer of Coronation Hall to Ulverston Community Enterprise on the 1st August 2016.
- Payments made for shared ownership car parks increased by £55k during 2016/17 due to more income being collected than during 2015/16.
- Income received for Braithwaite Fold Caravan Site increased by £65k in 2016/17 compared to 2015/16.
- Rental income for Town View Fields Hostel increased by £20k during 2016/17, compared to 2015/16.

13. Members' Allowances

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

	2016/17 £000	2015/16 £000
Allowances	252	259
Expenses	14	18
Total	**266**	**277**

The amount has reduced year on year due to an increase in the level of unclaimed allowances.

14. Officers' Remuneration and Exit Packages

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Executive	2015/16	104,984	0	1,360	0	14,908	**121,252**
	2016/17	106,034	0	963	0	15,057	**122,054**
Corporate Director Monitoring Officer*	2015/16	77,217	0	1,419	0	10,965	**89,601**
	2016/17	77,956	0	963	0	11,070	**89,989**
Corporate Director - People and Places	2015/16	73,889	0	963	0	10,492	**85,344**
	2016/17	74,628	0	963	0	10,597	**86,188**
Assistant Director- Resources	2015/16	68,212	0	963	0	9,686	**78,861**
	2016/17	68,790	0	963	0	9,768	**79,521**
Assistant Director- Strategic Planning**	2015/16	38,523	0	980	0	5,470	**44,973**
	2016/17	58,362	0	963	0	8,287	**67,612**
Assistant Director- Neighbourhood Services	2015/16	58,383	0	1,360	0	8,290	**68,033**
	2016/17	58,362	0	963	0	8,287	**67,612**
Assistant Director- Policy and Performance	2015/16	62,333	0	1,397	0	8,851	**72,581**
	2016/17	58,362	0	963	0	8,287	**67,612**
Solicitor to the Council	2015/16	50,695	0	986	0	7,199	**58,880**
Solicitor to the Council***	2016/17	12,053	0	230	0	1,712	**13,995**
Financial Services Manager	2015/16	Below threshold for disclosure in 2015/16					
	2016/17	50,455	0	0	0	7,165	**57,620**

*Inclusive of Returning Officer allowance, **Employee joined during August 2015, see 15/16 disclosures for details of other senior officer's remuneration for this role in 15/16. ***Employee left during June 2016, new incumbent below threshold for disclosure.

The pension figures use the primary rate of 14.2% as set out in the last actuarial valuation of the Cumbria Local Government Pension Fund, in line with the disclosure regulations. The figures do not include payments made for specific election duties as employees of the returning officer.

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16 £**	**2016/17 £**
£0 - £60,000	0	0	5	6	5	6	105,933	77,403

Bandings have been aggregated to prevent disclosure of individual settlements. No individual settlements greater than £60k were made in either 2015/16 or 2016/17.

The numbers of Council employees receiving remuneration (treated as salary, special allowances and expenses allowances) of more than £50k in 2014/15 and 2015/16 are shown in the table below:

	2016/17 Number of employees	**2015/16 Number of employees**
£50,000 - £54,999	1	1
£55,000 - £59,999	3	1
£60,000 - £64,999	0	1
£65,000 - £69,999	1	2
£70,000 - £74,999	0	1
£75,000 - £79,999	2	1
£80,000 - £84,999	0	0
£85,000- £89,999	0	1
£90,000- £94,999	0	0
£95,000- £99,999	0	0
£100,000- £104,999	0	0
£105,000- £109,999	1	1

Two employees who are not senior employees had remuneration greater than £50k in 2015/16 year due to the impact of one off amounts payable as a result of voluntary redundancy. Only senior employees met the criteria in 2016/17.

15. External Audit Costs

The table below shows the Council's costs in relation to the audit of the Statement of Accounts, statutory inspection, certification of grant claims and to non-audit services provided by the Council's external auditors. The appointed auditor for 2015/16 and 2016/17 was Grant Thornton UK LLP.

	2016/17 £000	**2015/16 Restated £000**
Fees payable to the appointed auditor for external audit services	56	56
Fees payable to the appointed auditor for the certification of grant claims and returns	8	8
Fees payable to the appointed auditor in respect of other services	0	0
Total	**64**	**64**

In addition to the fees disclosed in the 2015/16 statement, subsequently extra fees of £2.5k have been agreed with Grant Thornton following completion of the 2015/16 Housing Benefit Subsidy claim.

16. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2016/17 £000	2015/16 £000
Total Non-specific Grant Income (inc NDR, see CIES)	**(4,823)**	**(5,748)**
Credited to Services:		
Housing Benefit Subsidy	(17,511)	(18,730)
Housing Benefit Administration Grant	(225)	(281)
Council Tax Reduction Scheme Admin Grant	(90)	(79)
NNDR Grants	(301)	(300)
Elections	(343)	(134)
Individual Electoral Registration and Transformation	(28)	(27)
Department of Works and Pensions	(33)	(37)
DEFRA	0	(23)
New Homes Bonus	(939)	(738)
Community Housing Fund	(2,357)	0
New Burdens	(131)	(162)
Transformation Challenge Award	0	(17)
Cumbria Local Enterprise Partnership Flood Recovery	(58)	(18)
Coastal Revival Grant	0	(50)
Bellwin Claim	5	(182)
DCLG Flood Relief Grants	(630)	(480)
HPDG	(82)	(20)
Neighbourhood Plan grant	(25)	0
Other minor grants	(4)	(30)
REFCUS funding (DFG, CIL and Flood Repair and Renewal)	(2,893)	(346)
Total credited to Services	**(25,645)**	**(21,654)**
Other Contributions	**(2,079)**	**(2,105)**
Total Grants and contributions	**(32,547)**	**(29,507)**

The amount shown for Bellwin in 16/17 is an adjustment between the estimated amount of the claim of £182k and the final settlement of £177k. £31k has been derecognised from grant income for the £500 household flood payment scheme as this is accounted for as an agency transaction on behalf of DCLG. The 2015/16 comparators have been adjusted so that the ‘other minor grants’ line has been split out further where a particular grant was not significant in 2015/16 but was disclosed separately in 2016/17.

BALANCE SHEET

17. Property, Plant and Equipment
Movements on Balances

Movements in 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2016	**46,383**	**9,818**	**4,557**	**171**	**765**	**0**	**61,694**
additions	0	793	0	0	0	0	793
enhancements	747	166	0	0	254	0	1,167
disposals	(18)	(356)	0	0	0	0	(374)
revaluations recognised in RR	8,184	0	0	140	0	50	8,374
revaluations recognised in I&E	(162)	0	0	0	(8)	7	(163)
assets reclassified	229	120	19	(140)	(467)	43	(196)
At 31 March 2017	**55,363**	**10,541**	**4,576**	**171**	**544**	**100**	**71,295**
Accumulated Depreciation							
at 1 April 2016	**(1,650)**	**(5,164)**	**(298)**	**0**	**0**	**0**	**(7,112)**
depreciation charge in the year	(1,426)	(960)	(184)	0	0	0	(2,570)
disposals	0	356	0	0	0	0	356
revaluations recognised in RR	1,819	0	0	0	0	0	1,819
revaluations recognised in I&E	276	0	0	0	0	0	276
assets re-classified	9	109	(7)	0	0	0	111
At 31 March 2017	**(972)**	**(5,659)**	**(489)**	**0**	**0**	**0**	**(7,120)**
Net Book Value							
at 31 March 2016	**44,733**	**4,654**	**4,259**	**171**	**765**	**0**	**54,582**
at 31 March 2017	**54,391**	**4,882**	**4,087**	**171**	**544**	**100**	**64,175**

The net book value of assets reclassified amount is matched by the amounts Assets Held for Sale (Note 22).

Note 17 continued….

Movements in 2015/16	Other Land and Buildings £000	Vehicles, Plant, & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2015	**46,658**	**8,239**	**4,557**	**176**	**373**	**0**	**60,003**
additions	0	1,957	0	0	3	0	1,960
enhancements	285	48	0	103	990	0	1,426
disposals	0	0	0	0	0	0	0
revaluations recognised in RR	374	(16)	0	0	0	(54)	304
revaluations recognised in I&E	(1,664)	0	0	(108)	0	(7)	(1,779)
assets reclassified	730	(410)	0	0	(601)	61	(220)
At 31 March 2016	**46,383**	**9,818**	**4,557**	**171**	**765**	**0**	**61,694**
Accumulated Depreciation							
at 1 April 2015	(1,375)	(4,879)	(260)	0	0	0	(6,514)
depreciation charge in the year	(1,548)	(701)	(38)	0	0	(1)	(2,288)
disposals	0	0	0	0	0	0	0
impairments recognised in RR	453	6	0	0	0	4	463
impairments recognised in I&E	811	0	0	0	0	0	811
assets re-classified	9	410	0	0	0	(3)	416
At 31 March 2016	**(1,650)**	**(5,164)**	**(298)**	**0**	**0**	**0**	**(7,112)**
Net Book Value							
at 31 March 2015	**45,283**	**3,360**	**4,297**	**176**	**373**	**0**	**53,489**
at 31 March 2016	**44,733**	**4,654**	**4,259**	**171**	**765**	**0**	**54,582**

Information on Assets Held
Non-current assets owned by the Council are shown in the table below. A review of council assets carried out as part of the transfer to the new property services provider resulted in a number of small areas of land of nominal value being added to the asset register for completeness. Two CCTV systems which are no longer in use were removed and the toilet block in Brogden Street, Ulverston has been converted to Ulverston Town Council offices.

Property, Plant and Equipment Assets Held	Number at 31 March 2015	Changes 2015/16	Number at 31 March 2016	Changes 2016/17	Number at 31 March 2017
Other Land and Buildings:					
Allotments	various sites	various sites	various sites	various sites	various sites
Car Parks	45	(2)	43	0	43
Cemeteries	9	0	9	0	9
Depots	5	0	5	0	5
Historic Properties	1	0	1	0	1
Houses and hostel	3	0	3	0	3
Garage Sites	4	0	4	0	4
Lake & associated assets	1	0	1	0	1
Markets	7	0	7	0	7
Outdoor Centres	1	0	1	0	1
Public Halls	2	0	2	0	2
Public Offices	3	0	3	1	4
Sports Centres	3	0	3	0	3
Swimming Pools	3	0	3	0	3
Toilets	32	(1)	31	(1)	30
Tourist Information Centres	2	0	2	0	2
Other land and buildings	41	1	42	0	42
Vehicles Plant and Equipment:					
Vehicles	59	16	75	1	76
CCTV Schemes	2	0	2	(2)	0
Infrastructure Assets:					
Sea Defences	1	0	1	0	1
Sewerage Works	2	0	2	0	2
Land Drainage schemes	3	0	3	0	3
Community Assets:					
Historic Structures	5	0	5	0	5
Parks, Woodland and Open Spaces	176	0	176	10	186
Surplus Assets:	0	1	1	1	2

Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land. Higher value assets such as office buildings and Leisure centres are split into components where doing this would have a material impact on the depreciation charged in year. For all remaining assets depreciation is charged, in accordance with the accounting policies, generally on opening balance sheet values (see note 7) over periods reflecting the following estimated useful lives:

Component	Useful Life (Years)
Structure	50
Services	22
Roof	50

Classification	Detail	Useful Life (Years)
Other Land and Buildings	Car Parks	20
	Temporary / Insubstantial Buildings	20
	Public Conveniences	30
	Other Buildings	50
Vehicles, Plant and Equipment	Vehicles	Up to 10
	IT Equipment	5
	Wheeled Bins	20
	Vessels, CCTV and Office Equipment / Furniture	10
Infrastructure Assets	Effluent Treatment Works, Recycling Facilities	10
	Environmental Improvements	25
	Flood Defences,	100
Community Assets	Playground Equipment	10
	Buildings	50
Non-Operational Assets	Buildings	50

Revaluations

The Council re-values its assets every four years as part of a rolling programme. Matthew Messenger, Estates Surveyor and RICS registered valuer for Lambert Smith Hampton (LSH) has been engaged to carry out valuations in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (“RICS”) Valuation Standards (6th Edition) and guidance provided by CIPFA.

To ensure that the total asset base is fairly stated at the year end, several other measures are taken on top of the rolling programme of valuations, namely:

- Review for material change either through enhancement or impairment.
- Review of significant assets outside the rolling programme.

A split down of the carrying values by their valuation date is presented below:

	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Surplus £000	Total £000
Carried at historical cost	0	4,836	4,087	165	544	0	**9,632**
Valued at fair value as at:							
31 March 2017	40,260	0	0	0	0	100	**40,360**
31 March 2016	3,912	46	0	6	0	0	**3,964**
31 March 2015	7,835	0	0	0	0	0	**7,835**
31 March 2014	2,384	0	0	0	0	0	**2,384**
Total Cost or Valuation	**54,391**	**4,882**	**4,087**	**171**	**544**	**100**	**64,175**

The major Capital Commitments as at 31/3/2017 were:

	2016/17 £000	2015/16 £000
Castle Dairy	138	0
Rydal Road Car Park	3	0
Disabled Facilities Grants	100	72
Affordable Housing Grants	31	164
Site Assembly for Affordable Housing	0	340
Ferry Nab redevelopment	60	180
Coronation Hall conversion	12	9
Waterhead improvements	0	117
Public Realm schemes	126	0
Vehicles	15	430
Play Areas	115	130
IT Replacement Fund/Digital Innovation	51	9
New Road common	0	10
Rothay Park	53	0
Bins and signage	18	8
Total Commitments	**722**	**1,469**

18. Impairment Losses

Impairment losses relate to the reduction in value of assets beyond downward revaluations due to a change in general prices. Examples of impairment losses include:

- A significant decline in an asset's carrying amount during the period, that is specific to the asset
- Evidence of obsolescence or physical damage of an asset
- A commitment by the authority to undertake a re-organisation which may make an asset surplus
- A significant adverse change in the statutory or regulatory environment in which the Council operates.

For 2016/17 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £1.4m. This was mainly due to:

- a re-assessment of yields and rentals for some investment properties (£317k), offices (£433k) and certain car parks (£338k)
- Other capital expenditure that has not added to the current or fair value of a non-current asset.

	2016/17 £000	2015/16 £000
Public Conveniences	(116)	0
Car Parks	(338)	(97)
Lake Assets	0	(26)
Offices	(433)	(81)
Historic properties	(100)	(61)
Retail/commercial properties	(317)	0
Enterprise Centre (124 Highgate)	0	(217)
Recreation/parks	0	(630)
Cemeteries	0	(58)
Other	(79)	(57)
Total Impairments	**(1,383)**	**(1,227)**
Through Provision of Services	**(745)**	**(992)**
Through Other CIES	**(638)**	**(235)**
Prior year impairments credited to Services	**542**	**3**

19. Intangible Assets

The Council recognises two types of intangible fixed asset: software licences, which it has purchased to improve its service delivery and licences to operate street markets. The costs of the software licences are being written off to revenue on a straight-line basis over their 5 year life. The amortisation was charged to the IT Cost Centre and then absorbed as an overhead across all the services headings.

Street market licences are not amortised but are revalued as part of the rolling programme of asset revaluations. As at 31/3/2017 they made up £88k of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows.

	2016/17 £000	2015/16 £000
Cost or Valuation:		
Balance at 1 April	**908**	**986**
Additions	6	36
Disposals	0	(114)
Impairments	0	0
At 31 March	**914**	**908**
Amortisation:		
At 1 April	**(749)**	**(782)**
Charge for the Year	(17)	(81)
Disposals	0	114
At 31 March	**(766)**	**(749)**
Balance Sheet Amount at 1 April	**159**	**204**
Balance Sheet Amount at 31 March	**148**	**159**

20. Assets Held for Sale

Movements	**£000**
Cost or Valuation	
At 1 April 2015	268
disposals	(5)
impairments	(24)
assets re-classified	(196)
Value at 31 March 2016	**43**
disposals	(140)
impairments	0
assets re-classified	97
Value at 31 March 2017	**0**
Net Book Value	
at 31 March 2016	**43**
at 31 March 2017	**0**

During 2016/17 two refuse vehicles (£109k) and land at Beezon Road, Kendal (£140k) were sold. The vehicles had been fully depreciated. At the beginning of the year the sale of the former toilets site at Stockghyll had been anticipated, but it has subsequently been re-classified as a surplus asset, as it is pending a planning application before the sale can proceed.

21. Heritage Assets

The Council has a range of heritage assets including museum collections and other land and buildings. Due to their open aspect, access to the Land and Buildings is freely available to members of the public. The museum exhibits are contained within various museums and access is available at published times. Records of all the exhibits are maintained by the Museum Curator and used for Insurance and stock purposes. In addition, there are a number of individual structures within Parks that might be deemed to be heritage in nature. However, due to materiality, they continue to be disclosed as Community Assets within Property, Plant and Equipment.

The nature and condition of the Land and Buildings have resulted in the valuer assigning a nominal or nil value to these assets. The movement on the balance sheet is explained by revaluation of the museum exhibits and these are as follows:

Movements	**Museum Collections 2016/17 £000**	**Museum Collections 2015/16 £000**
Cost or Valuation		
At 1 April	2,107	2,077
revaluations	0	30
At 31 March	**2,107**	**2,107**
Net Book Value		
at 1 April	**2,107**	**2,077**
at 31 March	**2,107**	**2,107**

The schedule of Heritage Assets is as follows:

Land and Buildings
Kendal Castle
Monument, Market Square, Kirkby Lonsdale
Monument, Castle Howe, Kendal
TSB Clock, Ulverston
Greenside Limekiln, Kendal
Change Bridge, Kendal
Swine Market Cross, Kirkby Lonsdale
Old Swine Market, Kirkby Lonsdale
War Memorial, Ambleside
Bowling Fell, Kendal

Museum Exhibits
Paintings
Coins
Medals
Stuffed animals
Archaeological artefacts
Ceramics
Plants
Books
Statues
Miscellaneous items

Abbott Hall and Castle Dairy are also Heritage Assets by nature but because they are also being used for operational purposes they are classified as Property, Plant and Equipment and accounted as such. Access is open to the public all year for Abbott Hall and during the summer months for Castle Dairy (although this asset has been closed for refurbishment following serious flooding in December 2015).

Preservation of all land and buildings is managed by the Council’s asset manager in accordance with normal practices. The Museum exhibits are managed by the Museum Curator who is employed by Kendal College.

22. Investment Properties

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 income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

Movements in Fair Value

	2016/17 £000	2015/16 £000
Balance at start of the year	**4,960**	**4,768**
Revaluations	98	205
Reclassifications and amendments	(12)	0
Impairments	(317)	(13)
Balance at end of the year	**4,729**	**4,960**

Depreciation is not applicable to investment properties. Direct income and expenditure relating to investment properties is detailed in the CIES. The investment properties owned by the Council are summarised in the following table; the movements are due to re-classification rather than sale/acquisition:

Assets Held

Investment Properties Assets Held	Number at 31 March 2016	Changes 2016/17	Number at 31 March 2017
Miscellaneous Commercial Properties	12	0	12
Retail Properties	6	(1)	5
Trading/ Industrial Site	3	1	4

Fair Value disclosures relating to Investment Properties

Investment properties are revalued annually at Fair Value, any change to the Fair Value of Investment properties is reflected as unrealised gains and losses through Financing and Investment Income and Expenditure within the Surplus or Deficit on Provision of Services.

All valuations are judged to be at Level 3 within the fair value hierarchy reflecting the fact that inputs have been used which are neither publicly quoted values for identical assets or based on recent transactions from similar assets. These have been based on either the income method or the market value method:

- £2.98m of the closing value has been based on the income method where the current rental has been capitalised, taking into account the security of tenure, desirability of the site and potential for rental increases. The range of values for capitalising the income is to apply a multiple of between 12.5 and 7.7.
- £1.75m of the closing value has been assessed on the basis of market value but where there have been few comparable transactions and so a greater degree of valuer estimation has been used.

In all cases, local knowledge of planning policy, potential other uses and other potential investment (eg flood defences) by third parties has been taken into account.

Significant changes to the underlying assumptions could potentially cause significant change to the values. The valuations were performed by a professionally qualified valuer, Matt Messenger, BSocSc (Hons), DipVal, MRICS. Investment properties are generally in their highest and best use. Where this is not the case, it is because the valuations reflect potential other uses that purchasers may take into account but which do not reflect existing lease arrangements.

23. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note. The CFR has increased in year due to unfinanced capital expenditure on the vehicle and plant programme.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	**16,874**	**15,272**
Capital Investment:		
Property, Plant and Equipment and Intangibles	1,966	3,422
Revenue Expenditure Funded from Capital under Statute	4,259	960
Sources of finance:		
Capital receipts	(1,947)	(1,172)
Government grants and other contributions	(2,763)	(596)
Sums set aside from revenue:		
Direct revenue contributions	(841)	(807)
Minimum Revenue Provision	(371)	(205)
Closing Capital Financing Requirement	**17,177**	**16,874**
Explanation of movements in year:		
Decrease in underlying need to borrow MRP	(371)	(205)
Increase in underlying need to borrow	674	1,807
Increase/(decrease) in Capital Financing Requirement	**303**	**1,602**

24. Leases

Council as Lessee

Finance Leases
The Council has no assets held under finance leases

Operating Leases

The Council has no land and buildings held under operating leases. The Council has previously taken out operating leases for the provision of digital printing equipment and vehicles. The future lease payments are expected to be:

	31 March 2017 £000	31 March 2016 £000
Not later than one year - printing	22	32
Not later than one year - vehicles	77	131
Between one year and five years- printing	4	22
Between one year and five years- vehicles	0	77
Later than five years	0	0
Minimum lease payments	**103**	**262**

£163k was charged to CIES for operating leases in 2016/17 (£164k in 2015/16). No contingent rents or subleases were payable.

Council as Lessor

Operating Leases

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

- the provision of community services, such as sports facilities, tourism services and community centres
- to provide accommodation for local businesses.
- the Council has granted encroachment leases on the lakebed at Windermere to promote tourism, recreation and to generate income

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

	31 March 2017 £000	31 March 2016 £000
Not later than one year	530	524
Between one year and five years	559	532
Later than five years	1,386	1,138
Total	**2,475**	**2,194**

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. No contingent rents are receivable or received. The increase in the total income due later than 5 years is mainly due to the agreement of a long term lease on the new Brogden Street offices, occupied by Ulverston Town Council.

25. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Investments:				
Loans and receivables	3,000	0	6,000	7,000
Available for sale financial assets	104	3,140	3,022	0
Total Investments	**3,104**	**3,140**	**9,022**	**7,000**
Debtors:				
Loans & receivables	8	39	2,175	2,446
Total included in Debtors	**8**	**39**	**2,175**	**2,446**
Debtors that are not financial instruments	0	0	2,843	3,378
Total Debtors	**8**	**39**	**5,018**	**5,824**
Cash & Cash Equivalents				
Loans and receivables	0	0	10,509	8,295
Total Cash & Cash Equivalents	**0**	**0**	**10,509**	**8,295**
Borrowings:				
Financial liabilities at amortised cost	(12,800)	(12,800)	0	(283)
Total borrowings	**(12,800)**	**(12,800)**	**0**	**(283)**
Creditors:				
Financial liabilities at amortised cost	0	0	(2,555)	(3,451)
Total included in Creditors	**0**	**0**	**(2,555)**	**(3,451)**
Creditors that are not financial instruments	0	0	(3,009)	(3,458)
Total Creditors	**0**	**0**	**(5,564)**	**(6,909)**

Financial assets measured at fair value

Some of the Council's financial assets are measured at fair value in the balance sheet. These are described in the following table including the valuation technique used to measure them.

Available for Sale Asset	Input level in Fair Value Hierarchy	Valuation Technique used	As at 31/03/17 £000	As at 31/03/16 £000
UK Gilt 1% 2017	Level 1	Unadjusted quoted prices in active markets for identical shares	3,022	3,036
Rent to Mortgage Scheme	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	104	104
Total			**3,126**	**3,140**

Income, Expense, Gains and Losses

The table below shows the impact on the revenue account for 2016/17.

	2016/17			2015/16 (restated)*		
	Financial Assets and Liabilities measured at amortised cost £000	**Assets Available for Sale £000**	**Total £000**	**Financial Assets and Liabilities measured at amortised cost £000**	**Assets Available for Sale £000**	**Total £000**
Interest expense	567	0	567	573	0	573
Early repayment premia	0	0	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**567**	**0**	**567**	**573**	**0**	**573**
Interest income	(119)	(39)	(158)	(131)	(39)	(170)
Total income in Surplus or Deficit on the Provision of Services	**(119)**	**(39)**	**(158)**	**(131)**	**(39)**	**(170)**
Gains on revaluation	0	0	0	0	(19)	(19)
Losses on revaluation	0	23	23	0	15	15
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**23**	**23**	**0**	**(4)**	**(4)**
Net (gain)/loss for the year	**448**	**(16)**	**432**	**442**	**(43)**	**399**

*£9k of Effective Interest Rate adjustments relating to assets available for sale have been adjusted in the 2015/16 comparator.

Fair Values of Assets and Liabilities not measured at fair value

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the Public Works Loan Board (PWLB) Level 2 inputs have been used to calculate the fair value. These inputs include the new loan rate for replacement loans of the same term as that remaining on existing borrowing. This used rates between 2.37% and 2.56%. An alternative method is to use the early repayment premium, as has been disclosed in prior years. This has also been disclosed as it represents the actual cost to redeem the loans at the year end, with rates applied of between 1.44% and 1.63% under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- the fair value of creditors and debtors is taken to be the invoiced or billed amount.

Liabilities	31 March 2017		31 March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities – PWLB Redemption Rate	(12,800)	(23,585)	(13,083)	(21,170)
Financial liabilities – PWLB New Loan Rate	As above	(19,112)	As above	(17,325)
Current Creditors	(2,555)	(2,555)	(3,451)	(3,451)
Total Financial Liabilities (Redemption)	**(15,355)**	**(26,140)**	**(16,534)**	**(24,621)**
Total Financial Liabilities (New Loan)	**(15,355)**	**(21,667)**	**(16,534)**	**(20,776)**

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market, at the balance sheet date. This impacts on both the actual cost to redeem and the new loan rate. Both methods show a notional future loss arising from a commitment to pay interest to lenders above current market rates.

The PWLB carrying amount in 2015/16 includes the £283k included within short term borrowings. This was the interest payable for 15/16 where the actual payment fell into 2016/17; the underlying fixed term PWLB borrowings remained at £12.8m.

Assets	31 March 2017		31 March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Loans and receivables - Long Term Debtors	8	8	39	39
Loans and receivables - Long Term Investments	3,000	2,991	0	0
Loans and receivables - Current Investments	6,000	6,001	7,000	7,007
Loans and receivables – Cash Equivalents	10,509	10,509	8,295	8,295
Current Debtors	2,175	2,175	2,446	2,446
Total Financial Assets	**21,692**	**21,684**	**17,780**	**17,787**

The fair value of assets is calculated using level 2 inputs with the exception of cash and cash equivalents which are assumed to be at fair value as they can be called back the same day. Valuation of fixed term deposits is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

The fair value of the assets is less than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss arising from a comment to receive interest below the current market rates.

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 commitments to make payments.
- re-financing/maturity risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility of financial loss to the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Risk Management Procedures

The Council's treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act.

The 2016/17 Annual Treasury Management Strategy was reported to and approved by Council on 24 February 2016, and is available on the Councils website. The strategy incorporates the requirements of the legal framework, which include the requirement to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The key indicators within the strategy were:

- the Authorised Limit for 2016/17 was set at £24.2m. This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £18.8m. This is the expected level of debt and other long term liabilities during the year; and
- the maximum amounts of fixed and variable interest rate exposure were set at 100% based on the Council's net debt, with variable set at zero for Debt and £20m for Investments.

These policies were implemented by the financial services team. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The Treasury Management Strategy minimise this risk by setting minimum criteria, which financial institutions must meet before officers can invest. This includes;

- minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poor's Credit Ratings Services;
- limits on the maximum amounts invested; and
- limits on the duration of investments with financial institution located within specific categories.

The credit criteria in respect of financial assets held by the Council are detailed below:

Counterparty Limits	**Fitch Long term Rating (or equivalent)**	**Money Limit**	**Time Limit**
Banks 1 category high quality	AAA	£3m	6 months
Banks 1 category medium quality	AA	£2m	6 months
Banks 1 category lower quality	A	£2m	100 day
Banks 2 category – part nationalised	-	£3m	1 year
Banks 3 category – Council's banker (if not meeting Banks 1)	-	Minimise	1 day
Building Societies with assets in excess of £1 Billion	-	£2m	6 months
Debt Management Account Deposit Facility - DMADF	-	Unlimited	6 months
Gilts, Treasury Bills	AA	Unlimited	5 years
Local Authorities	-	£3m	2 Years
Money Market Funds	AAA	£5m	liquid
Multilateral Development Banks and Supranational	AAA	£3m	2 years
Other Collective Investment Schemes	AAA S1/V1	£2m	1 year

Banks 1 are UK domiciled banks and non-UK domiciled banks from a country with a minimum sovereign rating of AAA. Performance against the approved strategy has been reported to Council on a quarterly basis and there have been no material breaches of the strategy during the year.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31/3/2017 £000 A	**Historical experience of default % B**	**Historical experience adjusted for market conditions % C**	**Estimated maximum exposure 31/3/2017 £000 (A x C)**	**Estimated maximum exposure 31/3/2016 £000**
Loans & Receivables – long term debtors	8	0.00%	0.00%	0	0
Loans & Receivables – long term investments	3,000	0.02%	0.02%	1	0
Loans & Receivables - current investments	6,000	0.01%	0.01%	0	11
Loans & Receivables - cash equivalents	10,509	0.00%	0.00%	0	0
Available for Sale - financial investments	3,126	0.00%	0.00%	0	1
Loans & Receivables - customers	2,175	7.59%	7.59%	165	219
Total Financial Assets	**24,818**			**166**	**230**

The Council does not generally allow credit for customers, such that £335k of the £2,175k balance (due from its general debtors) is past its due date for payment (more than 30 days overdue).

The past due but not impaired amount can be analysed by age as follows:

	31 March 2017 £000	**31 March 2016 £000**
0 to six months	127	110
Six months to one year	83	76
More than one year	125	184
Total	**335**	**370**

Although the individual debtor amounts are not impaired, the debtors balance as a whole is adjusted based on the expected level of collection for a given age of debt.

Liquidity Risk

The Council manages its liquidity position though the procedures above, as well as through a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from the money markets to cover any day to day need and the Public Works Loans Board (PWLB) and money markets for longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio and the longer term risk is the replacement of financial instruments as they mature. The risk relates to both the maturing longer term financial liabilities and longer term financial assets. The treasury strategy address the risk through the treasury indicator limits for the maturity structure of debt and limits place on investments greater than one year in duration. The financial services team address the operational risks within the approved parameters. This includes;

- monitoring the maturity profile of financial liabilities;
- monitoring the maturity profile of investments ensuring sufficient liquidity for day to day cash flow needs and the spread of longer term investments to provide stability of maturities and returns in relation to longer term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum limit for fixed interest rates maturing in each period

Maturity profile of financial liabilities	**Approved limit £000**	**31 March 2017 £000**	**%**	**31 March 2016 £000**	**%**
Less than one year (creditors and short term borrowing)	25%	(2,555)	17%	(3,734)	23%
Between 1 and 5 years	25%	0	0%	0	0%
Between 5 and 10 years	100%	0	0%	0	0%
Between 10 and 20 years	100%	0	0%	0	0%
Between 20 and 30 years	100%	0	0%	0	0%
Between 30 and 40 years	100%	(6,800)	44%	(6,800)	41%
Between 41 and 45 years	100%	(6,000)	39%	(6,000)	36%
Total		**(15,355)**	**100%**	**(16,534)**	**100%**

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The financial services team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This is then used to update the budget monitoring projections quarterly during the year, allowing any adverse changes to be accommodated. The analysis is also used to determine whether it is prudent to repay fixed rate loans early and whether new borrowing taken out is fixed or variable. Currently all of the Council's borrowing is at fixed rates with the Public Works Loans Board. According to this assessment strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Sensitivity analysis	**31-Mar-17 £000**	**31-Mar-16 £000**
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(290)	(242)
Impact on surplus or deficit on the provision of services	**(290)**	**(242)**
Decrease in fair value of fixed rate investment assets	13	43
Impact on Other Comprehensive Income and Expenditure	**13**	**43**
Decrease in fair value of fixed rate borrowings liabilities (based on early repayment)*	4,773	4,111
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,606	3,111

***Disclosure items only, no impact on CIES.**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in calculating the fair value of assets and liabilities not measured at fair value.

Price Risk
Price risk relates to the exposure to the Council where the value of assets may vary with fluctuations in the market. This mostly relates to investments in tradable equities; the Council does not generally invest in equity shares.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

26. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2017 £000	**31 March 2016 £000**
Cash held by the Authority	1	2
Bank current accounts	708	1,193
Short-term deposits with building societies and banks	9,800	7,100
Total Cash and Cash Equivalents	**10,509**	**8,295**

27. Debtors

The current debtors balance is made up as follows:

	31 March 2017 £000	31 March 2016 £000
Central Government bodies	1,312	1,236
Other Local Authorities	810	963
NHS bodies	2	0
Public corporations and trading funds	17	17
Bodies external to general government	2,877	3,608
Total	**5,018**	**5,824**

These figures are shown net of impairments for non-recovery of debts, these are as follows:

Impairment of debtors	Balance at 1 April 2016 £000	Debts written off in year £000	Increase (decrease) in year £000	Balance 31 March 2017 £000
Council Taxpayers	177	(49)	20	148
NDR Ratepayers	310	(119)	67	258
Sundry Debtors	1,258	(138)	(31)	1,089
Total	**1,745**	**(306)**	**56**	**1,495**

This value has decreased in the year mainly due to lower amounts of older debts outstanding; this reflects targeting of particular debts in year, for example, lake encroachments.

28. Creditors

The current creditors balances is made up as follows:

	31 March 2017 £000	31 March 2016 £000
Central Government bodies	(348)	(400)
Central Government bodies grant receipts in advance	(455)	(1,270)
Other Local Authorities	(1,880)	(1,832)
Public corporations and trading funds	(58)	(103)
Bodies external to general government	(2,823)	(3,304)
Total	**(5,564)**	**(6,909)**

Of the amounts due to Central Government bodies, £455k (£1,270k in 15/16) related to grant payments in advance; this mostly relates to funding to support the cost of flood reliefs granted to Council Tax and NDR payers.

29. Provisions

The Council has no general provisions. The Council has been named in a group action brought by a personal search company in respect of their claim that the supply of property search information has been unlawfully charged for. The existing provision for this has been updated to reflect use of the provision to settle the claim, the remaining balance is required to cover the out-standing costs.

The Municipal Mutual Insurance Limited provision was utilised in full in year. There may be further payments due, see the contingent liability disclosure below. The anticipated contribution by the Council in relation to the culvert works under Brewery street car park was settled in full during 2016/17. The actual amount of cost was £374k, the balance of funds was returned to the General Fund.

A new provision has been set aside relating to the cost of flood resilience grants which have been approved to commence, but where a claim for payment had not been made at the balance sheet date. The value of work completed was estimated at £810k compared to the total out-standing approved claims of £1.17m. These are anticipated to be settled during 2017/18. All resilience claims are fully funded by external grant and so a matching debtor has been recognised for the £810k of reimbursements due against the claims provided for.

The largest single provision relates to the anticipated costs of rates appeals. A significant number of appeals relating to the rateable value set by the Valuation Office Agency are still outstanding at 31 March 2017. This has reduced in value during the year as a number of claims that had provision set against them have been settled. For the ongoing claims, where these are successful, refunds of overpayments will need to be made. A provision of £888k has been made based on the Council's share (40%) of the estimated cost of the appeals.

Specific provisions	Balance 31 March 2016 £000	Amounts used in year £000	Amounts added in year £000	Balance 31 March 2017 £000
Land Charges and planning	(60)	33	0	(27)
Municipal Mutual Insurance Limited provision	(27)	27	0	0
Ulverston Culvert cost	(400)	400	0	0
Flood grant provision	0	0	(810)	(810)
NDR appeals provision	(712)	712	(888)	(888)
Total	**(1,199)**	**1,172**	**(1,698)**	**(1,725)**

30. Contingent Liabilities

At 31 March 2017, the Council had the following material contingent liabilities:

- In September 1992, the Council's then insurers, Municipal Mutual Insurance Limited, ceased accepting new business. The Council had a number of outstanding claims with Municipal Mutual Insurance Limited which have now all been settled. Under a scheme of arrangement the Council may be required to repay up to £264k relating to claims settled since September 1992 if Municipal Mutual Insurance Limited are left with insufficient assets to meet liabilities. During 2012/13 the Directors of Municipal Mutual Insurance Limited instigated the scheme of arrangement and the Council paid £40k during 2013/14 and a further £27k due in May 2016 representing a total levy of 25%. Payments are made by the Council for each item that is settled, at the time of settlement. Further levy payments may be requested if further claims are settled or if the level of the levy is increased.

- The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. The risk of this has been limited going forward as back dating for appeals received on or after 1/4/2015 can only be backdated to 1/4/2015.

- During 2015/16 the Council received a request for mandatory charitable relief on a hospital in the District including backdating for 6 years. The Council is of the view that the claim is not eligible and rate relief should not be granted. Although the claim has not been withdrawn the Council does not expect to grant relief.

- In April 2004 the Council transferred the management of its housing stock to South Lakes Housing. South Lakes Housing became a member of the Cumbria Pension Fund and paid contributions to meet the current and future costs of service of their employees. South Lakes Housing could only become a member of the Cumbria Pension Fund where there was a sponsoring body willing to provide a guarantee. The guarantee means that if such an admitted body fails to pay its pension obligations to Cumbria Pension Fund then the guarantor will take on those obligations. In the case of South Lakes Housing the Council is acting as a guarantor for existing staff, deferred members and existing pensioners at the transfer date only.

- The Council has agreed to a number of warranties under the stock transfer agreements with South Lakes Housing. Such arrangements are common place in such negotiations. The key warranties are as follows:

  - Asbestos indemnity – the Council has indemnified South Lakes Housing for all costs, claims and lawsuits against SLH which arise from any person being exposed to asbestos unless there is negligence on the part of SLH. The stock condition survey estimated South Lakes Housing will need to spend £2.2m on asbestos treatment/encapsulation etc. Should they spend more than the £2.2m they can call on the warranty for re-imbursement providing the works are carried out in accordance with the asbestos protocol.
  - Environmental Pollution – the Council has warranted for 30 years from the date of transfer that SLH could claim up to £55m for dwellings that have been contaminated by environmental pollution. At the time of signing the transfer agreement the Council had been in full compliance with Environmental Law and to the best of its knowledge or belief knew of no circumstances which may prevent this in the future. Also there were no current or pending claims of this nature against the Council. The Council has purchased insurances against the need to pay South Lakes Housing under this warranty until 2027. During 2015/16 the Council was notified of the detection of radon in properties covered by the warranty.

31. Contingent Assets

- Right to Buy sharing agreement – as with other agreed stock transfers, the Council has entered into an agreement with South Lakes Housing relating to the future sales under the Preserved Right to Buy (PRTB) rules. This relates to any future sales of the transferred stock to existing tenants. The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of the receipt is calculated using a formula that takes the net income foregone by SLH from the total proceeds from the sale of dwellings for the year. There has been £837k of capital receipts from SLH in relation to this during 2016/17 (£1.2m in 2015/16).

- VAT shelter arrangements – in normal circumstances South Lakes Housing is not able to reclaim VAT on improvement works to dwellings. The VAT shelter is an arrangement, used in every transfer since 2002, with HMRC's agreement, whereby SLH can reclaim VAT on future improvement works to the transferred stock. The original estimate of the value of the works to be undertaken under the VAT shelter arrangements total £96.038m, with an estimated further £19.208m VAT recoverable over the 15 years starting in 2012/13. The Council has agreed a 50/50 share of the VAT with SLH. The original estimated value of the VAT shelter income for the Council was therefore £9.6m over 15 years. VAT is only recoverable where works are being undertaken by external contractors. During 2016/17 the expected spend by South Lakes Housing with external contractors has fallen which will reduce the Council's expected share of income over the remaining 10 years of the agreement. £323k was received during 2016/17 (£508k in 2015/16).

32. Unusable Reserves

The balances on unusable reserves are as follows; detailed movements are explained below:

Unusable reserve	31 March 2017 £000	31 March 2016 £000
A. Untaken Absences Account	212	212
B. Pensions Reserve	38,927	30,097
C. Capital Adjustment Account	(21,261)	(21,211)
D. Collection Fund Adjustment Account	902	857
E. Revaluation Reserve	(32,720)	(23,766)
F. Financial Instruments Adjustment Account	(75)	(97)
G. Deferred Capital Receipts Reserve	(44)	(48)
Total Unusable Reserves	**(14,059)**	**(13,956)**

A. Untaken Absences Account

The Untaken Absences Account absorbs the 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 Account. The balance required as at 31/3/2017 was not judged to be significantly different to the existing balance and so no adjustment has been made for the year:

UNTAKEN ABSENCES ACCOUNT	2016/17 £000	2015/16 £000
Balance at 1 April	**212**	**212**
Settlement or cancellation of accrual made at the end of the preceding year	(212)	(212)
Amounts accrued at the end of the current year	212	212
(Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements)	0	0
Balance at 31 March	**212**	**212**

B. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and their funding. 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 statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

PENSIONS RESERVE	2016/17 £000	2015/16 £000
Balance at 1 April	**30,097**	**34,271**
Re-measurements of net defined benefit pension liability	8,062	(5,136)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,288	3,443
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,520)	(2,481)
Balance at 31 March	**38,927**	**30,097**

C. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with depreciation, impairment losses and amortisation. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. It also contains accumulated gains and losses on Investment Properties.

CAPITAL ADJUSTMENT ACCOUNT	2016/17 £000	2015/16 £000
Balance at 1 April	**(21,211)**	**(21,877)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Depreciation/impairment charges for non-current assets	2,456	3,262
- Amortisation of intangible assets	17	81
- Revenue expenditure funded from capital under statute	4,259	960
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	158	5
Capital Grants received and applied	(2,712)	(553)
Movements in the market value of Investment Properties	219	(192)
Total adjustments to CIES	**4,397**	**3,563**
Amounts direct from Revaluation Reserve	**(1,238)**	**(670)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance expenditure	(1,947)	(1,172)
Application of grants from Capital Grant Unapplied	(51)	(43)
Minimum Revenue Provision	(371)	(205)
Capital expenditure charged against the General Fund	(840)	(807)
Total financing	**(3,209)**	**(2,227)**
Balance at 31 March	**(21,261)**	**(21,211)**

D. Collection Fund Adjustment Account

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

COLLECTION FUND ADJUSTMENT ACCOUNT	2016/17 £000	2015/16 £000
Balance at 1 April	**857**	**601**
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	43	241
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	2	15
Balance at 31 March	**902**	**857**

E. Revaluation Reserve

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

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

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

REVALUATION RESERVE	**2016/17 £000**	**2015/16 £000**
Balance at 1 April	**(23,766)**	**(23,657)**
Upward revaluation of assets	(10,831)	(1,014)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	638	235
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(10,193)**	**(779)**
Difference between fair value depreciation and historical cost depreciation	1,239	670
Accumulated gains on assets sold or scrapped		
Amount written off to the Capital Adjustment Account	**1,239**	**670**
Balance at 31 March	**(32,720)**	**(23,766)**

F. Financial Instruments Adjustment Account (including financial instrument held for sale)

This reserve 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 provisions. The Council has some financial instruments held for sale; movements in their fair values is credited to this reserve and is only released to the General Fund once sold.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT	**2016/17 £000**	**2015/16 £000**
Balance at 1 April	**(97)**	**(106)**
Notional interest in the year charged to the Comprehensive Income and Expenditure Statement	0	0
Revaluation of Asset held for Sale realised	0	13
Movement in fair value of Financial Instruments Held for Sale	22	(4)
Balance at 31 March	**(75)**	**(97)**

G. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable until received. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. This reserve relates to Rent to Mortgage arrangements.

DEFERRED CAPITAL RECEIPTS RESERVE	**2016/17 £000**	**2015/16 £000**
Balance at 1 April	**(48)**	**(62)**
Transfer to the Capital Receipts Reserve upon receipt of cash	4	14
Balance at 31 March	**(44)**	**(48)**

OTHER NOTES

33. Related Parties

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.

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 or significantly influences much 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 16.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2016/17 totals £266k (2015/16 £277k) and is shown in Note 13. An independent remuneration panel is used in setting Member's allowances. The reduction in the allowances paid is due to an increase in unclaimed allowances during 2016/17.

Members of the Council sit on the boards of various other organisations, for example, SLDC appoints two Members to the Lake District National Park Authority, one Member to the Yorkshire Dales National Park Authority and up to 3 Members to the board of South Lakes Housing. A historic report on the work of SLDC representatives for 2016/17 is presented on the agenda for Council 17 May 2017. Members have also been separately elected onto Town and Parish Councils and the County Council. These are disclosed within the Members' register of interests which is open to public inspection at South Lakeland House during office hours and on the Council's web-site.

All Members have the power to participate in the financial and operating policy decisions of the Council and so meet the accounting definition of having significant influence. However, controls are in place to limit any undue influence by Members. These include the statutory register of Member interests and the duty to disclose interests at each committee meeting and so be excluded from decision making where there is a conflict of interests. The Standards Committee monitors the effectiveness of these controls. Its Annual report was presented to Council May 17 2017 which stated:

"Agendas for all District Council meetings contain an item regarding the disclosure of interests at the meeting and advising that guidance can be sought, if necessary, from the Monitoring Officer prior to meetings. The Minutes of the various Council, Cabinet and Committee meetings show that interests are regularly declared by Members."

In considering the potential for related party transactions with other entities, the likelihood that a person would be able to influence the policies of both the Council and a related entity in their mutual dealings needs to be assessed. The controls set out above greatly limit this likelihood.

Members of Cabinet have greater opportunity to directly exert influence through their level of involvement in both development and delivery of Council Plan objectives. An additional related parties disclosure was completed by all Members of Cabinet and no relevant transactions or relationships were declared.

Officers
Declarations were received by all senior Officers, no relevant transactions were declared for the year ended 31 March 2017. During 2015/16 one member of the Senior Management Team (SMT) was provided through an agency. This was for a limited period to provide cover whilst recruitment to the permanent post was completed. For 2016/17 all SMT officers were directly employed.

Other Public Bodies
Other related parties are other Local Authorities, particularly Cumbria County Council, Cumbria Police Authority and local Parish Councils (see Note 2, Notes to the Collection Fund, Section G in this Statement of Accounts). Shared service arrangements are in place with Eden District Council for Revenues and Benefits and Information Technology services. The Council is also a member of the Cumbria business rates pool.
Transactions with the Cumbria Local Government Pension Scheme are shown below at Note 34.

Entities Controlled or Significantly Influenced by the Council
South Lakes Housing was an arm's length organisation of the Council, managing housing services on behalf of the Council until 5 March 2012 when the Council Housing stock was wholly transferred and SLH became an independent Registered Social Landlord. The board of South Lakes Housing contains up to 4 SLDC Members. During 2016/17 the Council acted as an agent for South Lakes Housing collecting housing rents. Similarly South Lakes Housing collected income on behalf of SLDC in relation to Town View Fields Hostel. These amounts are included within the Agency Services disclosures (note 12). In addition, the Council recognised capital income from South Lakes Housing in relation to its share of receipts from housing disposals and VAT shelter payments (£1.2m in total). Although there is potential for the Council to significantly influence the operating policies of South Lakes Housing, it is judged that that there is not a material associate relationship as the Council has made no monetary investment, has no right to any operating surpluses (other than through the VAT shelter and Right To Buy agreement) or exposure to operating losses or other liabilities.

34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with its investment assets. The key risks around the fund are managed through frequently review of the plan assets and liabilities by professional actuaries (Mercer limited) and active management of the investment portfolio by the administrating authority. The key makeup of the scheme assets and assumptions made by the actuary are set out below.

The Council also participates in the Pension Scheme for Greater Manchester (administered by Tameside Metropolitan Borough Council) in relation to a number of pensioners who retired from predecessor Councils which were replaced by South Lakeland District Council in 1974. This is also a defined benefit salary schemes.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. 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 following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**	
	2016/17	**2015/16**	**2016/17**	**2015/16**
	£000	**£000**	**£000**	**£000**
Comprehensive Income and Expenditure Statement (CIES):				
Cost of Services:				
- current service cost	2,241	2,328	0	0
- past service costs	0	14	0	0
- Pension Admin costs	55	44	0	0
Financing and investment income and expenditure:				
- Net interest cost on net liability	834	903	158	154
Total post employment benefit charged to CIES	**3,130**	**3,289**	**158**	**154**
Other post employment benefit charged to CIES				
- return on plan assets	(19,944)	1,218	0	0
- actuarial (gain)/losses due to demographic assumptions	(1,077)	0	(21)	0
- actuarial (gain)/losses due to financial assumptions	27,028	(6,193)	714	(161)
- actuarial (gain)/losses due to other assumptions	1,640	0	(278)	0
Total charged to the CIES	**10,777**	**(1,686)**	**573**	**(7)**
Movement in reserves statement:				
- statutory reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits	(3,130)	(3,289)	(158)	(154)
Actual amount charged against the general fund in the year:				
- employers' contributions payable to scheme	2,227	2,186	293	295

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 when IAS19 was introduced to the 31 March 2016 is a loss of £14.382m. The net of post-employment benefits charged to Other CIES is £8.062m, being the sum of the return on plan assets and actuarial losses on both LGPS and discretionary arrangements.

Impact on the Authority's Cash Flow

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 next tri-annual valuations is due to be completed by 31 March 2017.

The projected employer contributions for the forthcoming financial year (2017/18) are estimated to be £2.561m

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Arrangements	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening balance at 1 April	**117,458**	**120,795**	**4,653**	**4,955**
Current service cost	2,241	2,328	0	0
Interest cost	4,052	3,813	158	154
Contributions by scheme participants	593	565	0	0
- actuarial (gain)/losses due to demographic assumptions	(1,077)	0	(21)	0
- actuarial (gain)/losses due to financial assumptions	27,028	(6,193)	714	(161)
- actuarial (gain)/losses due to other assumptions	1,640	0	(278)	0
Benefits paid	(3,901)	(3,864)	(293)	(295)
Curtailments and past service	0	14	0	0
Closing balance at 31 March	**148,034**	**117,458**	**4,933**	**4,653**

The weighted average duration of scheme liabilities is 17 years.

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme - Funded		Unfunded	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening balance at 1 April	**92,014**	**91,479**	**0**	**0**
Expected rate of return	3,218	2,910	0	0
Return on plan assets	19,944	(1,218)	0	0
Pension Administration Costs	(55)	(44)	0	0
Employer contributions	2,227	2,186	293	295
Contributions by scheme participants	593	565	0	0
Benefits paid	(3,901)	(3,864)	(293)	(295)
Closing balance at 31 March	**114,040**	**92,014**	**0**	**0**

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

Trend of Assets and Liabilities	**2016/17 £000**	**2015/16 £000**	**2014/15 £000**	**2013/14 £000**	**2012/13 £000**
Present value of assets:					
Local Government pension scheme	114,040	92,014	91,479	80,168	76,093
Present value of liabilities:					
Local Government pension scheme	(148,034)	(117,458)	(120,795)	(102,213)	(105,598)
Discretionary benefits	(4,933)	(4,653)	(4,955)	(4,628)	(4,291)
Total scheme (deficit)/surplus	**(38,927)**	**(30,097)**	**(34,271)**	**(26,673)**	**(33,796)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £38.9m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

In addition to the underlying scheme assets and liabilities, the Council also made a £0.917m prepayment relating to the lump sum employer contributions for 2016/17. This generated a saving compared to making the payments annually. This has been presented in the balance sheet as reducing the overall liability at 31 March 2016 to £29.18m. There is no prepayment as at 31 March 2017.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Mercer Limited, an independent firm of actuaries, has assessed liabilities; estimates for the Cumbria County Pension Fund (part of the Local Government Pension Scheme) are based on the latest full valuation of the scheme completed by 31st March 2017. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	**2015/16**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	23.1	23.1
- women	25.7	25.7
Longevity at 65 for future pensioners:		
- men	25.4	25.9
- women	28.4	28.9
Other Assumptions:		
Rate of inflation - CPI	2.30%	2.00%
Rate of increase in salaries	3.80%	3.50%
Rate of increase in pensions	2.30%	2.00%
Rate for discounting scheme liabilities	2.50%	3.50%

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The Cumbria County Pension Fund's assets (part of the Local Government Pension Scheme) consist of the following categories:

Composition of Local Government Pension Scheme Assets	31-Mar-17 £'000	31-Mar-17 %	31-Mar-16 £'000	31-Mar-16 %
Equity investments				
UK Quoted	14,712	12.90	12,146	13.20
Global Quoted	22,922	20.10	17,299	18.80
UK Equity Pooled (unquoted)	1,140	1.00	3,220	3.50
Overseas Equity Pooled (unquoted)	19,159	16.80	15,182	16.50
Bonds				
UK Government Index Pooled (unquoted)	22,238	19.50	16,471	17.90
UK Corporate Bonds (quoted)	7,185	6.30	6,349	6.90
Overseas Corporate Bonds (quoted)	342	0.30	368	0.40
Property				
UK	7,983	7.00	7,085	7.70
Property Funds	3,535	3.10	3,313	3.60
Cash/Liquidity				
Cash Accounts	3,535	3.10	2,852	3.10
Net Current Assets	114	0.10	92	0.10
Other				
Private Debt Funds	570	0.50	0	0.00
Private Equity Funds	2,851	2.50	1,932	2.10
Infrastructure Funds	6,728	5.90	5,061	5.50
Real Estate Debt Funds	1,026	0.90	644	0.70
Total	**114,040**	**100.00**	**92,014**	**100.00**

Sensitivity Analysis

The following quantifies the impact of changes in actuarial assumptions on the plan assets and liabilities. This shows the impact of changes in each of the key factors; combinations of changes or changes of a different magnitude would potentially give a different out-come.

	Central £000	+0.1% pa discount rate £000	+0.1% pa inflation £000	+0.1% pa pay growth £000	+1 yr life expectancy £000
Liabilities	152,967	150,457	155,519	153,376	156,194
Assets	(114,040)	(114,040)	(114,040)	(114,040)	(114,040))
(Deficit)/surplus	**38,927**	**36,417**	**41,479**	**39,336**	**42,154**

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2016/17
INCOME AND EXPENDITURE ACCOUNT (G)

2015/16 £000	2015/16 £000		Note	2016/17 £000	2016/17 £000
		INCOME			
(83,876)		Council Tax (Gross)		(87,173)	
8,045		Less Council Tax Discounts		8,609	
4,821		Less Council tax reduction scheme		4,821	
	(71,010)	**Net Income from Council Tax**			**(73,743)**
	(501)	**Local Council Tax Discounts from General Fund**			**(629)**
	(39,906)	**Non-Domestic Rates**	**3**		**(40,645)**
	(111,417)	**TOTAL INCOME**			**(115,017)**
		EXPENDITURE			
52,363		Cumbria County Council Precept		54,832	
9,397		Cumbria Police Precept		9,642	
9,169		SLDC (inc Parish) Precepts		9,519	
146		Council Tax Amounts written-off		381	
89		Council tax impairment of debt		(230)	
	71,164	**Council Tax Precepts and Demands**			**74,144**
20,275		Central Government share		20,996	
4,055		Cumbria County Council share		4,199	
16,220		SLDC share		16,797	
78		Transitional protection payments		26	
246		NDR Amounts written-off		297	
(14)		Increase / (reduction) in NDR debt Impairment		(127)	
(512)		NDR appeals provision utilised in year		(1,781)	
166		Increase / (reduction) in NDR appeals provision		2,221	
300		Cost of Collection Allowance		301	
	40,814	**Non-Domestic Rates expenditure**			**42,929**
	111,978	**TOTAL EXPENDITURE**			**117,073**
(347)		**Council Tax (Surplus)/Deficit for the Year**		**(228)**	
908		**NDR (Surplus)/Deficit for the year**		**2,284**	
	561	**TOTAL (SURPLUS) / DEFICIT FOR THE YEAR**			**2,056**
59		SLDC share b/f Council Tax surplus	4	31	
60		Cumbria Police share b/f Council Tax surplus		32	
331		Cumbria County Council share b/f Council Tax surplus		177	
(122)		SLDC share of projected NDR deficit		(871)	
(153)		Central share of projected NDR deficit		(1,088)	
(30)		County share of projected NDR deficit		(218)	
	145	**Total contributions for prior years**			**(1,937)**
Ctax	**NDR**	**Fund balance reconciliation**		**Ctax**	**NDR**
(333)	**1,615**	**(Surplus) / Deficit at 1 April**	**4**	**(230)**	**2,218**
103	**603**	**Movement in year**	**4**	**12**	**107**
(230)	**2,218**	**(Surplus) / Deficit at 31 March**	**4**	**(218)**	**2,325**
	1,988	**TOTAL (SURPLUS)/DEFICIT AT 31 MARCH**			**2,107**

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2016/17
NOTES TO THE COLLECTION FUND (G)

1. General

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.

2. Council Tax

Council Tax income derives from charges raised according to the value of residential dwellings, which have been classified into eight Valuation Bands using estimated 1 April 1991 values for this specific purpose. Individual taxes are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council (£54.832m), Cumbria Police Authority (£9.642m) and the Council (£9.519m) for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each Band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts): 44,511 for 2016/17 (44,203 for 2015/16). This basic amount of Council Tax for a Band D property of £1,662.37 (£1,604.63 for 2015/16) is multiplied by the proportion specified for the particular Band to give an individual amount due. The amount of Council Tax also varies according to Parish precepts levied on individual areas.

The Council Tax base for 2016/17 was calculated on the following basis:

Band	Chargeable Dwellings (net of discounts)	Proportion of Band D Tax	2016/17 Band D Equivalent Dwellings	2015/16 Band D Equivalent Dwellings
A	2,997	6/9	1,998	1,968
B	8,112	7/9	6,309	6,234
C	10,079	8/9	8,959	8,868
D	8,772	9/9	8,772	8,677
E	6,601	11/9	8,068	8,034
F	4,240	13/9	6,124	6,107
G	2,628	15/9	4,380	4,407
H	232	18/9	464	468
All Bands	**43,660**		**45,074**	**44,763**
Allowance for 1.25% late collection			(563)	(560)
Council Tax Base			**44,511**	**44,203**

3. National Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government has specified an amount (rate) of 49.7p for 2016/17 (49.3p for 2015/16). A small business rate relief scheme is also in operation whereby, providing certain conditions are met, occupiers of properties with a rateable value less than £18,000 pay a reduced rate of 48.4p and can also qualify for rate relief. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their Rateable Value by the appropriate rate.

The Council is responsible for collecting rates due from the ratepayers in its area, the total non-domestic rateable value as at 31 March 2017 is £108.0m, and (£108.2m at 31 March 2016). Mandatory and discretionary reliefs are available, including relief relating to the December 2015 floods.

		2016/17 £000	2015/16 £000
Gross Rates Payable		(51,149)	(51,681)
less:			
	Transitional Relief	(26)	(78)
	Mandatory Reliefs	9,042	8,691
	Discretionary Reliefs	559	857
	Unoccupied Property	929	2,305
Net Rates Payable		**(40,645)**	**(39,906)**

From 1 April 2014 SLDC joined the Cumbria Business Rates Pool, administered by Cumbria County Council. Previously SLDC retained the business rates collected in the district and paid shares of this to Cumbria County Council (10%) and Central Government (50%). These amounts can be seen on the face of the Collection Fund account.

The amount retained by SLDC (£16.797m) and the share of the 15/16 deficit (£871k) is transferred into the General Fund. This is then reduced by a tariff payment (£14.222m) because under the previous funding system, SLDC collected much more in rates than it received back through grant. Depending on the performance in year, the retained amount is further adjusted through a system of top up payments and levies so that if collection is better than anticipated SLDC will retain more income but a share of this is also returned to central government. The Council is also protected to a degree if performance is not as high as expected.

The NNDR income, after reliefs and provisions, was £40.645m (£39.906m for 2015/16)

4. Collection Fund Surplus

Government Regulations prescribe that transactions relating to Council Tax and NDR must be accounted for separately in the Collection Fund. Any surpluses or deficits are apportioned in proportion to the precepts (Council Tax) or shares (NDR) payable. Amounts are transferred to each body in accordance with a statutory timetable.

The Collection fund statement shows the level of surplus or deficit at the end of 2016/17 identified between Council Tax and NDR.

1. Scope of Responsibility

South Lakeland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs (incorporating the system of internal control), facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Lakeland District Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*" (2016). A copy of the Local Code is on our website at www.southlakeland.gov.uk or can be obtained on written request to the Council at South Lakeland House, Lowther Street, Kendal, Cumbria, LA9 4DQ.

This statement explains how the Council has complied with the Code, identifies any areas of weakness with an action plan to address these weaknesses, and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations (2015).

2. Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk or failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South Lakeland District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Lakeland District Council for the year ending 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

3. The Principles of Good Governance and the Governance Framework

The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B – Ensuring openness and comprehensive stakeholder engagement

Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

Principle F – Managing risks and performance through robust internal control and strong public financial management

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The key strategic elements to the Council's Governance arrangements are:

- A regularly reviewed Council Plan that includes explicit outcomes. This is derived through stakeholder engagement and sets out the Council's aspirations. It drives strategic decision making, financial planning and detailed service planning.

- A comprehensive and regularly reviewed Constitution setting out how the Council operates. Officers and Members ensure that the protocols in the constitution and other relevant statutes, regulations and guidance are both followed and lead to transparent, ethical and legal decision making. This ensures effective accountability and strong financial management.

- A structure including Standards and Overview and Scrutiny committees which are independent of the Cabinet. These monitor delivery against both financial and Council plan targets as well compliance with the Council's high ethical and behavioural expectations. Audit Committee monitors internal control corporately, including the arrangements to manage risk. All committees are supported by qualified professional officers to provide timely, relevant information which is open and transparent.

- The Council recognises a need for continued investment in technology, innovation and organisational development. This is reflected in the recent Investors in People process as well as the ongoing 'Customer Connect' project. This will re-shape the Council and enhance how it uses technology to engage with local tax payers and improve customer service.

These show at a strategic level, that the Council's key governance arrangements are consistent with the 7 core principles. The Local Code of Governance sets out the detailed arrangements in place at South Lakeland District Council. This has been reviewed against the detailed framework provided by CIPFA/LASAAC.

4. Review of Effectiveness

South Lakeland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of Internal Control. The key elements of this review are as follows:

Corporate Level review
A working group of key Officers has conducted a detailed review of the Council's governance arrangements against the Local Code of Governance. The working group has undertaken a self-assessment against the seven core Governance Principles and supporting principles in the Local Code, together with the key principles relating to the role of the Chief Finance Officer. No significant issues have been identified.

Director/ Assistant Director Level review
Senior Management Team consider and challenge all performance, risk management and internal audit reports. They have reviewed the Local Code of Governance in year. The Chief Finance Officer and Monitoring Officer also have input through their membership of the Senior Management Team. No significant governance issues have been identified.

Scrutiny Committee self assessment
The Council has operates with one Overview and Scrutiny Committee which has a Performance Sub-Committee. The Overview and Scrutiny Committee can challenge a decision that has been made by the Executive prior to it being implemented, to enable them to consider the decision and the context within which it was taken. They have a remit, which allows them to assist the Council and the Cabinet in the development of its budget and policy framework. The Committee produce an annual report on its work. The Overview and Scrutiny Committee annual report for 2016/17 concluded that effective scrutiny was taking place.

Audit Committee self assessment
The Audit Committee annual report for 2016/17 concluded that it was working effectively, functioning in accordance with best practice and providing independent assurance of the Council's governance arrangements. The Committee reviewed the AGS at their meeting on 20 April 2017. They were satisfied that the statement was a fair reflection of the authority with no significant governance issues to report.

Standards Committee self assessment
The Standards Committee is currently made up of 7 District Councillors with the ability to co-opt 2 non-voting Parish Members. The Committee's main functions are to:

- Promote and maintain high standards of conduct by Members
- Assist and ensure Members observe the Codes of Conduct
- Advising the Council on the adoption or revision of the Code of Conduct
- Monitor the operation of the Members' Code of Conduct
- Deal with matters under the Council's Standards Arrangements
- Monitor the complaints procedure and ombudsman investigations

The Council has appointed an Independent Person in accordance with the relevant provisions of the Localism Act 2011 and related Regulations. An Independent Person Protocol was adopted in July 2013 and revised in December 2016. The Standards Committee annual report for 2016/17 concluded that overall, ethical standards were sound.

Internal Audit annual opinion
Internal Audit is responsible for reviewing the quality and effectiveness of the system of governance, risk management and internal control. A risk-based Internal Audit Plan is produced each financial year for approval by the Audit Committee. The reporting process for Internal Audit requires all final reports to be submitted to the Audit Committee. The reports include recommendations for improvements forming an agreed Action Plan, which is monitored to ensure satisfactory action is taken. The effectiveness of the Internal Audit function is also subject to annual review through the Council's Audit Committee (see above).

The Internal Audit Annual Report contains a statement / judgment on overall levels of assurance (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The annual report was presented to Audit Committee on 26 July 2017; their opinion was of reasonable assurance that effective risk management, control and governance processes were in place for the 2016/17 financial year.

External Audit reports
The Audit Findings Report provides an overall summary of the External Auditor's assessment of the Council and recommends any areas for improvement. No material internal control weaknesses were highlighted for 2016/17 in the Audit Findings Report**.**

5. Annual Governance Statement Action Plan

The 2015/16 AGS process did not produce any significant governance issues. However, an action plan was produced to capture areas where there may be scope for improvement. These included data governance, complaints handling, the framework for managing fraud risks and ensuring the financial skills of senior officers. Progress has been made in the year to address these actions. A key action for many of these is the

Customer Connect project which is due to be fully implemented over the next 3 years. No new significant governance issues have been raised through the 2016/17 review but a number of other improvement opportunities have been identified. These include ensuring social value is considered along side service delivery and procurement options, reviewing reporting lines and reviewing the local code provisions around partnership working to ensure these are relevant to the Council's arrangements. These have been reported to Audit Committee who will monitor their implementation. Progress on the action plan will also be reported annually through the AGS.

6. Governance opinion

There are no significant governance issues, the governance arrangements in place are considered fit for purpose.

Lawrence Conway
Chief Executive
South Lakeland District Council

Date 7th Sept 2017

Giles Archibald
Leader
South Lakeland District Council

Date 8th Sept 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH LAKELAND DISTRICT COUNCIL

We have audited the financial statements of South Lakeland District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes including the Statement of Accounting Policies and the Expenditure and Funding Analysis. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Assistant Director (Resources) and auditor

As explained more fully in the Statement of Responsibilities, the Assistant Director (Resources) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director (Resources); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to the Financial Statements, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report to the Statements, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in "Delivering Good Governance in Local Government: Framework (2016)" published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and

Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

John Farrar

John Farrar
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

21 September 2017

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