

South Lakeland District Council

Audited Statement of Accounts & Annual Governance Statement

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2018/19
Audited



SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts and Annual Governance Statement 2018/19

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SOUTH LAKE LAND DISTRICT COUNCIL
Statement of Accounts 2018/19
LAYOUT AND EXPLANATION OF DOCUMENT (A)

Overview

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2018/19, and incorporates all the financial statements and disclosure notes required by statute.

It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. 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. Given its statutory basis and the favourable financial ratios, the Council is a going concern for the purposes of financial reporting.

There have been two minor changes in accounting policies affecting the 2018/19 Financial Year and these are explained in Notes 1 and 26 to the Main Statements.

The key statements setting out the Council’s financial position and performance can be found in **Section E, 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 what can be funded from Council Tax and other discretionary movements.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from 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.

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

Statement of Responsibilities – Section C

This shows the responsibilities of the Council and the Finance Lead Specialist in respect of the Statement of Accounts.

Accounting Policies – Section D

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

Notes to the Accounts – Section F

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 – Section G

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

Independent Auditor's Report

The independent auditor, appointed by the former Audit Commission and now overseen by Public Sector Audit Appointments Limited to review the accounts of the Council, prepares a report of that review which is included with the final audited Financial Statements. This report will be issued after the Accounts have been audited in July 2019.

Published along-side the statement of accounts is the **Annual Governance Statement – Section H**. 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.

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NARRATIVE REPORT (B)

INTRODUCTION

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

Due to its statutory basis and its financial performance the Council is a going concern and will continue to deliver services in accordance with that mandate.

Organisational Overview

South Lakeland covers an area of 600 square miles with a variety of landscape features including mountains, fells, lakes, tarns, valleys, pastureland, estuary and coastline. There are four main urban areas Kendal, Ulverston, Windermere and Grange over Sands. Large parts of the district fall within two national parks the Lake District National Park (49% of the land area) and the Yorkshire Dales National Park (14%). The resident population is 103,500 (June 2012), but this is increased considerably by national and international visitors. South Lakeland is one of six districts within the county of Cumbria.

The Council has 51 elected Members (councillors) and has a Leader and Cabinet style decision making structure. During 2018/19 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 2018/19, the Council ran one main Overview and Scrutiny Committee consisting of twelve councillors which met quarterly to consider performance and portfolio reports. 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 including: Planning, Licensing, Audit, Human Resources, Lake Admin and Standards.

The Council's elected Members are working collaboratively with all public services and other key partners to reduce duplication of work and improve customer service.

For 2018/19 the Council had a Chief Executive, Lawrence Conway, and two Directors; Debbie Storr, Director of Policy and Resources and David Sykes, Director of People and Places. There were 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 had an average of 415 staff during 2018/19 and 377 full-time equivalent posts. The Council uses external contractors to provide leisure services, grounds maintenance and property management. It has a shared IT service with Eden District Council.

From 1 April 2019 the Council's new management team were appointed, comprising Lawrence Conway as Chief Executive, David Sykes as Director of Strategy, Innovation and Resources and Simon Rowley as Director of Customer and Commercial Services supported by 11 Operational and Specialist Lead Officers. Further appointments to the new structure were made from 1 May 2019 with the expectation that the full restructure will be completed by December 2019.

Priorities and Policies

The Council Plan contains four key priorities:

- Economy - enabling and delivering opportunities for sustainable economic growth;
- Housing - providing homes to meet needs;
- Culture and Wellbeing - improving wellbeing, reducing health inequality and supporting cultural activities; and
- Environment - protecting and enhancing our place.

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The Council's role in providing a prosperous environment for business has helped South Lakeland to become the largest economy in Cumbria. The Council has established and developed key partnership initiatives which will promote the economic growth and cultural attractions through the Lancaster and South Cumbria Economic Region (Morecambe Bay) and the Great Places partnerships. Our business community continues to have a high level of confidence for future growth.

A key priority for the Council is to deliver 1,000 new affordable homes to rent by 2025. Since 2014, 460 new affordable homes to rent have been built and we remain on target to achieve this. The number of future affordable homes should increase following the approval in principle of a £6 million loan fund to encourage and support developers. The Council is continuing to help reduce the number of homelessness cases and will continue to develop strategies for 2019/20.

A policy on Climate Change was passed by Council in February 2019 which is looking at new ways of making energy savings and efficiencies. Following a series of public meetings the Council agreed to investigate more ways in which it can have a positive impact on climate change. Work undertaken across 2018/19 to become a more green council included; supporting schemes which promote energy efficiency (LEAP) and renewable energy, planting more trees and encouraging climate change friendly land management, phased out single use plastics, promoted cycling and walking schemes and continues to investigate ways of reducing our carbon footprint such as the installation of solar panels on SLDC assets. The Council is also taking action to reduce its carbon footprint and improve air quality as identified in the Air Quality Action Plan.

A number of different projects have also been completed to develop parks and open spaces across the district. The Council and communities have worked closely to provide better equipment for recreational purposes and encourage more users. The Council continues to support cultural activities such as Comic Arts Festival, Tour of Britain, Kendal Mountain Festival, amongst many more. The Council's strategic support for key arts and cultural organisations helped secure pledges for more than £7m of investment in South Lakeland in 2018, including funding for the new Windermere Jetty Museum, which opened early in 2019.

In March 2019 the Council agreed to adopt the Cumbria Public Health Strategy. This strategy will lead a new vision for collaborative working on social, economic and environmental themes to create a healthier Cumbria. Instead of focusing on individuals' lifestyle choices and behaviours, which are already being addressed, the strategy acknowledges the conditions in which a person is born, lives, works and ages impacts on their access and ability to live a healthier life. Adopting this strategic approach will improve the Council's contribution to promoting, enabling and providing services which improve the health of our communities.

Customer Connect, our digital innovation programme, is progressing to give our customers digital access to all council services. This will allow customers to access services 24 hours a day, 7 days a week. This programme will transform how customers can interact with the Council and put them at the heart of everything we do.

The Council introduced a new Equality, Diversity and Inclusion Strategy for 2019-2022 which outlines how the Council is meeting its public sector equality duty under the Equality Act 2010.

The delivery of the Council Plan is influenced by our three key values. These are:

- Empowering people – by listening to our customers and our employees, their ideas and comments will help us make improvements to customer service and workforce development
- Excellence – seeking continuous improvement in what we do, ensuring that our actions address the needs of South Lakeland
- Open and transparent – being courteous, efficient and transparent in our dealings with the public.

The Council strives to deliver value to our communities through an operational model that delivers these priorities through its physical and financial resources as detailed below.

Physical assets

The Council owns a broad range of operational and investment assets throughout the district. The 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

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Kendal and Ulverston, Braithwaite Fold Caravan Park and the Coronation Hall in Ulverston, but does not directly operate these assets.

The Council looks 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. The Council approved a new Property and Land Management Strategy 2019-2024 following a property asset review in 2017.

Financial Resources overview

The Council delivered a balanced budget for 2018/19 protecting front-line services and key ongoing projects. This year's budget included several growth proposals, including investment to strengthen economic development activities, providing funds for Parks and Play area development and feasibility work for the development and refurbishment of South Lakeland House and Kendal Town Hall. To help achieve its goals the Council continued on its Customer Connect Project which aims to make services more accessible and streamlined whilst also providing financial and other savings to meet budget pressures.

The Council will continue to deliver its vision via sustainable and cost effective services. The Council's net revenue service budget for 2019/20 totals £14.0m. Efficiencies totalling £740k are included in the 2019/20 budget, increasing to £1.55m within the current Five Year Medium Term Financial Plan mainly as a result of the Customer Connect Programme, with on-going work being undertaken to identify how best to meet the remaining projected deficits in the coming years.

The Council's largest single source of income is Council tax (£8.9m estimated income in 2019/20) followed by retained business rates and income from car parking (circa £4.5m each). The Council also generates over £1m of gross income from Lake Windermere. Income from New Homes Bonus has reduced from over £1m per year to £0.5m for 2019/20 since the Government introduced a national baseline threshold which is difficult to achieve with so much of the district covered by National Parks. It is uncertain whether this source of funding will continue beyond March 2020.

This narrative review and Statement set out in more detail the financial performance and position for 2018/19 as well as more information around the future financial plan. Together, these demonstrate that the Council is in a strong, sustainable position to continue delivering the Council Plan priorities.

2018/19 FINANCIAL PERFORMANCE

Revenue: Summary

The table below summarises the actual out-turn position against the budget. This shows that net service expenditure was £0.21m more than reflected in the budget. When the impact of the carry forward amounts are taken into account there is a surplus of £0.27m on the General Fund for the year. The details of the underspending services requesting carry forward of budget was presented to and approved by Cabinet 24 April 2019, although one carry forward was subsequently withdrawn and is reflected in the Accounts.

Summary of financial performance:

	Budget	Actual (EFA column i)	Overall Variance	Carry forward amount
	£000	£000	£000	£000
Resources	4,844	4,820	(24)	25
Performance and Innovation	3,106	3,819	713	55
Strategic Development	3,995	3,651	(344)	362
Neighbourhood Services	5,871	5,733	(138)	37
Total services	17,816	18,023	207	479
Corporate items	(17,816)	(18,023)	(207)	0
Total General Fund	0	0	0	479

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Revenue: Cost of Services

The full details of service variances will be reported through the out-turn report to Cabinet 17 July 2019 and Council 23 July 2019. The largest single elements of this relate to:

- **Revenues and Benefits** (Resources) – this was £143k higher than budget overall; this was mainly due to increased write-offs.
- **Customer Connect** (Performance and Innovation) – this was £485k higher than budgeted within this service but is offset by savings elsewhere across services, mainly due to tight management of staff vacancies and other staffing costs.
- **Car parking income** (Neighbourhood services) – this was £130k higher than budgeted; charges have not been increased so this represents increased demand.
- **Waste Collection and Kerbside Recycling** (Neighbourhood services) – this was £125k higher than total budget; mainly due to lower income from collection and sale of recyclates.

Revenue: Corporate items

Corporate items overall had a net underspend of £0.2m.

This is mostly due to:

- Additional income from Non Domestic Rates of £340k, mainly due to changes in the amount of small business rate relief granted and an increase in the reimbursement of this cost by Government. This has also resulted in £456k additional income from the Cumbria business rate pool. This has been added to the pool reserve and will be spent on economic development projects in future years, as required by the Pooling agreement.
- £133k lower than expected contribution to the Capital Programme, due to changes in the planned delivery timescales for projects
- £167k lower than budgeted Minimum Revenue Provision, due to lower than expected capital expenditure in 2017/18; and
- £524k higher than budgeted contribution to reserves.

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	4,882
Performance and Innovation	3,483
Strategic Development	2,954
Neighbourhood Services	2,209
Net cost of Services	13,528
Other income and expenditure	(12,986)
Surplus/Deficit on Provision of Services	542

This shows that general fund revenue balances decreased by £542k in the year. This mainly relates to:

Contributions into Reserves

- £62k increase in carry forward amount
- £875k into the New Homes Bonus (NHB) reserve due to timing differences between approving grants to community groups and payment on completion of projects

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- £302k into the Non Domestic Rate Pool, mainly due to grant on Small Business Rate Relief
- £220k of budgeted contributions

Less Contributions from Reserves

- £847k support for the Capital programme
- £1,200k to fund Customer Connect set-up costs

Summary 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 8 and a split of grant income presented at note 17.

Capital Expenditure and Financing

Expenditure on the Council's own assets for 2018/19 is summarised below:

Capital Spending	£000
Vehicles	904
Car Parks	417
Play Areas	275
New Road Common	229
IT equipment and software	195
Nobles Rest	191
Leisure Centres	162
Other (under £100,000)	367
Total	2,740

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 2018/19 were as follows:

REFCUS	£000
Affordable housing grants	60
Disabled Facilities Grants	1,000
Locally Important Projects	104
Other (under £100,000)	125
Total	1,289

The capital programme was funded as follows:

Capital Funding	£000
Capital Receipts	(887)
Grants and Contributions	(1,334)
Revenue contributions	(877)
Prudential borrowing	(931)
Total to support capital	(4,029)

The total capital spend of £4.0m in 2018/19 compares to the total budget of £7.5m approved in the latest up-dated capital programme in February 2019. There were no material underspends within the programme and variances of £3.1m were approved for re-profiling into 2019/20 at Cabinet on 24 April 2019. 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, Disabled Facilities Grants and Play schemes;
- 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.

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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-Housing Revenue Account district council, the capital programme does not include large infra-structure schemes such as highways, schools or direct maintenance of council houses.

The 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 as the capital programme for the next 5 years includes significant contributions to housing schemes.

2018/19 FINANCIAL POSITION

Changes to the Balance Sheet

Overall the Balance Sheet shows a reduction in the net worth of the Council of £3.1m. The major movements from 31 March 2018 to 31 March 2019 are described below.

Pension Fund

The Council provides pensions to its staff through the Cumbria Local Government Pension Scheme administered by Cumbria County Council. 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 disclosed in Note 35 to the Accounts.

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 (i.e. the pension liability and the matching pension reserve).

The net pension liability has increased by £5.9m, this includes the second year impact of the payment of an additional sum in regards to future years' liabilities of £1.5m and £0.6m of past service cost as a result of a recent national court case, impacting all Local Government Pension Schemes. This leaves the liability in the top half of the balance sheet at £37.9m. A review of note 35 shows that this balance is quite volatile year on year and the 2018/19 increase partially offsets a large decrease in 2017/18. These are mainly due to estimated future market forecasts of interest rates, longevity and fund performance generally. However statutory restrictions are in place that mean only the amounts payable in year (i.e. 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 (i.e. employers and employees contributions) will be sufficient to meet the liabilities (i.e. 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 decreased by £611k in the year from a net credit of £743k to a net credit of £1,354k. There are a number of reasons for this change with two worthy of mention – an increase in the provision for credit losses across all debts of the Council and an increase in the levy to the NNDR Pool. Cash and investment balances have increased by £1.02m from £19.89m to £20.91m. This is partly due to the increase in net current liabilities above.

Non-current assets

Non-current assets (including Assets Held for Sale) have increased in year by £2.51m. This is explained by £2.74m of capital additions, £3.33m of revaluations, less £3.36m of depreciation and £0.20m of disposals. The capital additions are shown above.

Significant Provisions

Amounts set aside for credit loss allowances are maintained at prudent levels, adjusted for local knowledge. The total amount at 31 March 2019 was £1.77m, up from £1.42m at 31 March 2018 and are netted off the debtors amounts.

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The only specific provision in 2018/19 was for Non Domestic Rates appeals, the Council's share of which has reduced from £976k to £853k. Under the current Retained Non Domestic 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 decrease mainly relates to the closure of the old rating list.

As part of the housing transfer a number of significant guarantees and warranties were given which are treated as contingent liabilities, detailed in note 31.

Collection Fund Performance

The Collection Fund includes a surplus/deficit for both Council Tax and Retained Non Domestic Rates. After allowing for the impact of prior year surplus/deficit shares, the Council Tax account made a deficit of £622k which left a cumulative deficit of £384k. The Non Domestic Rates account made a surplus of £726k resulting in a cumulative surplus of £1.84m. This is largely due to the separation of the cost of certain reliefs (e.g. 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 Government have also increased the funding for Small Business Rate Relief. The deficit/surplus is shared between the precepting authorities and have been taken into account in setting budgets for 2019/20, the Council's share of the Non Domestic Rates surplus being £736k (40% of £1.84m). The impact of deficits on the General Fund is deferred under statute and, where there is a deficit, is broadly matched by amounts set aside in the Non-Domestic Rate surplus reserve. Since there is a surplus the current balance on the reserve is £0k.

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 Non Domestic Rates in the year, with £884k being set aside into the Non-Domestic Rate Pool reserve to support future economic development in the District.

Council Tax

The Council increased the 2018/19 Council Tax by £5 in line with the expectations of Central Government, contained within the finance settlement.

Cash flows

The cash and investment position has increased £1.02m over the year. These balances largely reflect the usable reserves that the authority holds. The 2019/20 budget included plans to utilise £1.88m of reserves, mainly to fund the one-off costs of the Customer Connect programme which is budgeted to produce further savings of £740k in 2019/20 and annual savings of £1.55m from 2020/21. In addition carry forwards on revenue of £479k and re-profiling of capital of £3.1m are expected to utilise resources which had been set aside in 2018/19. In total this could potentially reduce reserves and the matching cash/investments by £5.3m 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 2019/20. 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 2018/19 is available via the Overview and Scrutiny Committee 26 April 2019 agenda on the Council's website. Key areas are as follows:

Economy

Estimates show that the Council is on target to achieve 1,000 new jobs in the area by 2025. Since April 2014 an estimated 548 new jobs have been created in South Lakeland including 140 in 2018/19. During 2018 South Lakeland had 72.5 business start-ups per 10,000 working age residents. This compares to 56.4 for Cumbria and 99.2 for England. The number of start-ups per 10,000 working age people is sometimes regarded as an indicator of entrepreneurship amongst local residents.

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Environment

By 2019, the amount of household waste reused or recycled will increase to 50% from 44% in 2018/19. The operational carbon footprint is being reduced by 100 tonnes per annum.

Health and Wellbeing

South Lakeland continues to be an area of low crime although the total number of crimes reported has increased over the last 12 months. This may be as a result of increased crime recording training.

Life expectancy from birth for women is 85.0 years (England 83.1 years) and for men is 82.2 years (England 79.6 years): South Lakeland is one of only four districts in the North West where life expectancy exceeds the national average (all data 2015-17). Life expectancy has improved consistently for many years.

Housing

A cumulative total of 460 affordable homes for rent have been completed since 2014/15. 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 53,281 in 2018/19 (53,000 in 2017/18). The Council has a target that by 2025, the number of long-term empty homes will have reduced by 20% from 967 homes.

During 2018/19 the number of homeless households living in temporary accommodation fluctuated around the target that will be no more than 20 at any one time, with 21 in quarter two but under 20 for the remainder of the year.

Outlook: Council Plan 2019 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 Non Domestic Rates, generates significant financial uncertainty. A funding system based on 100% retention of Non Domestic Rates is planned for 2020/21. The exact details of how this will work is not yet clear but the Council's current projections assume a reduction in funding of around £0.5m per year.

The Council continued to experience the effects of low interest rates in 2018/19, however the slight increase in bank rates during the year brought some improvements in investment returns. The uncertainty around the economy and the timing of the last update of the Council's overarching planning development framework have contributed to a decline in income from planning fees despite an increase in fee levels set nationally. There was a decline in volume of applications and fewer applications which generated significant fees due to size. There has also been a decline in building control and land charges fee income.

There are still uncertainties around the potential impact on the Council of the UK's expected departure from the European Union. This has not had any impact on the preparation of the accounts or any figures within the accounts.

A balanced budget position was set for 2019/20. Current estimates for future years project deficits of around £0.7m each year from 2020/21, of which £0.5m relates to reduced funding assumptions. These figures include the impact of 'Customer Connect', 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 2019 including the initial impact of Customer Connect. As the project develops the expected savings will be updated.

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Summary of estimated financial position by year	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Total Service Expenditure	35,305.2	32,779.8	30,434.0	29,195.3	29,006.3
Total Service Income	(12,640.5)	(12,433.8)	(12,655.6)	(12,829.7)	(12,629.7)
Net Service Budget	22,664.7	20,346.0	17,778.4	16,365.6	16,376.6
Total Corporate Items	(21,924.7)	(18,036.0)	(14,940.5)	(12,769.0)	(12,123.6)
Projected Deficit	740.0	2,310.0	2,837.9	3,596.6	4,253.0
Customer Connect savings	(740.0)	(1,550.0)	(1,550.0)	(1,550.0)	(1,550.0)
Projected Deficit February 2019	0.0	760.0	1,287.9	2,046.6	2,703.0

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 2019 is summarised below:

2018/19	Re-profiling and adj	2018/19 Revised	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2018/19 to 2023/24
£000	£000	£000	£000	£000	£000	£000	£000	£000
9,760.3	-2,258.4	7,502.0	12,338.7	20,566.6	3,406.7	1,928.0	2,828.0	48,570.0

Around £13.2m of this relates to housing schemes, including Disabled Facilities Grants, the £6m housing loans scheme and affordable housing. The Council receives grant funding from the 'Better Care Fund' to support Disabled Facility Grant spend and has also been receiving around £0.8m annually in capital receipts from South Lakes Housing as a legacy from the housing stock transfer which completed in 2011/12. 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.

The Council is acting as accountable body for a £5.36m flood prevention scheme in Kendal with the Environment Agency which will be funded by European Regional Development Fund grant.

There are three new, large schemes relating to Council assets reflecting the new Property and Land Management Strategy of which £9.2m relates to the replacement of Ulverston Leisure Centre and £4.7m to the refurbishment of South Lakeland House and Kendal Town Hall. The Council is planning to borrow in years after 2019/20 to fund these projects with revenue savings arising from these schemes offsetting the costs of borrowing. The capital programme also includes £1.9m to the refurbishment of Grange Lido.

Around £6m relates to the renewal of the waste collection and recycling fleet; these are funded through the reduction in investments 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 Council buildings and cultural/ leisure facilities (including play grounds). These are largely funded through use of New Homes Bonus 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.

The uncertain nature of future funding will impact on the Council's cash flows, the current years analysis of which can be found in the Cash Flow Statement.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
NARRATIVE REPORT (B)

Risks and Opportunities

The Council has a Risk Management Framework to identify, evaluate, monitor and mitigate risks. Risks are reported as part of the quarterly performance management report. At 31 March 2019 there were six significant strategic risks which are monitored and reported on a quarterly basis:

- Medium Term Financial Planning – delivery of a balanced budget. There is a risk that current and future year's budget reductions (expenditure and income) are not identified and achieved and that significant existing income sources are not protected or effectively managed. There is a strong risk that income from Central Government is reduced above the current assumptions. There is a risk that NDR income assumptions are not achieved. Other key factors are Brexit, the Spending Review 2019-2022, Business Rates Retention and the Fair Funding Review.
- Essential strategic partnerships required to deliver the Council Plan do not operate effectively - Where necessary robust agreements will be needed. Also opportunities and resource implications should be identified. Partnerships will need to work supportively to achieve Council Plan objectives. The risk is not specific to any one initiative or approach from partner organisations, rather the strategic direction and policies that they take and make, and their correlation to SLDC achieving its aims and objectives through its Council Plan.
- Unintended impacts of efficiencies and service changes - New efficiencies and changes brought about by one service or another organisation can have unintended negative impacts on the efficiency and running of another service – especially if proposals are not consulted on until too late in the process. These impacts can increase the cost of running other services. The position of this risk is also influenced by the Customer Connect Programme.
- Customer Connect Programme: Risk that the programme fails to deliver what's set out in the programme definition and customer contact strategy. Customer Connect is a challenging programme that requires significant change to ways of working for staff across the Council. The Programme Board manages the Customer Connect Risk Log on a regular basis. Mitigations are in place for the risks and the main challenges to the programme are: scope and ambition, staff resources and capacity, skills and workforce planning, buy-in from customers and training and development for staff and Councillors.
- Capacity for Business as Usual during the transition to the new organisational model. There is a business continuity risk that vacancies are not adequately filled for roles that are critical – ie those roles which are essential for the running of the organisation and for meeting the health and welfare needs of the public. Also there will be an impact on the business while staff are moving through transition from the current ways of working to learn new processes, behaviours etc. A loss of staff and skills has the potential to impact on the organisation and the public – especially the public who may be vulnerable due to their dependence on vital services.
- SLDC is acting as 'Accountable Body' for large value grant aided schemes. In simple terms the Council acts as "the bank" for grant monies – making payments to scheme deliverers. Robust governance, project appraisal, decision making - and clarity over responsibilities and accountabilities will manage and mitigate risks. Lack of adequate governance arrangements for the accountable body role could lead to a reduction, suspension or withholding of grant; or require the repayment of the whole or part of the grant. The current capital programme contains approximately £5m of such schemes with a possible £2.5m of further schemes proposed.

Opportunities

The Council does not maintain a formal system of recording opportunities. The Council is a member of the Cumbria business rate pool, which enables members to retain business rate income that otherwise would be due to be paid to the Government. The potential of pooling continuing into future years is unclear as a result of proposed changes to the Government funding model.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
NARRATIVE REPORT (B)

As part of the implementation of the Customer Connect model the Council will be preparing a Commissioning Framework to review the need for services and to review how services should be provided, including decommissioning of services where necessary. The Council is also updating its Procurement Strategy and will prepare a Commercial Strategy.

The Council has been working closely with Barrow Borough Council and Lancaster City Council to form a combined Lancaster and South Cumbria Economic Region which will work collaboratively to stimulate greater economic success and prosperity for local businesses and residents.

The Council is preparing a housing loans model to fund further affordable housing by providing housing associations with financing at below-market interest rates to enable the delivery of homes in rural areas that otherwise would not be viable.

Further details on financial risks and opportunities faced by the Council are included in the Medium Term Financial Plan which also details the impact of the expected reductions in government support and proposals to balance future deficits.

Materiality

In preparing these accounts, materiality has been guided by the External Auditors materiality level (£1,375,000) but also has consideration to any item that is thought would be of significance to the reader of the accounts in the context of the activities of the Council. In particular, the Council has applied the following limits on what will be deemed as immaterial in taking decisions regarding their Accounting treatment and presentation:

- Accounting Policies are disclosed for individual or groups of similar transactions that make up the entries in the Statement of Accounts. Where such transactions are individually or cumulatively below £50,000 per annum the policy has not been disclosed. The same limit of £50,000 is used to determine if a provision is required and individual or group revenue contract transactions with a carry forward below £50,000 are accounted for as a cash transaction. Stock balances are only recorded when over £25,000;
- Capital expenditure or receipts under £10,000 will be charged to Revenue. Receipts above £10,000 are accounted for as Capital Receipts;
- Prior period adjustment will only be disclosed for items that have an individual effect above £100,000;
- Leases as Lessor for periods under 10 years accounted for as operational and not finance. Leases over 10 years subjected to assessment.

CONCLUSIONS

The Council is a going concern and 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 2018/19 was good with the Council's balance sheet ending the period in a strong position.

The Council faces uncertainty over future funding as a result of which savings need to be found. There is 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 commenced in 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 2018/19 (C)

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 Finance Lead Specialist
- 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 Finance Lead Specialist responsibilities

The Finance Lead Specialist 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 this Statement of Accounts, the Finance Lead Specialist 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 2018/19

The Finance Lead Specialist 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 2019 and its income and expenditure for the year ended 31 March 2019

Helen Smith

Date 25 July 2019

Finance Lead Specialist (Section 151 Officer)

SOUTH LAKELAND DISTRICT COUNCIL

Statement of Accounts 2018/19

ACCOUNTING POLICIES (D)

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 2018/19 (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

Policy 1	Fundamental Accounting Concepts
Policy 2	Estimation and Prior Year Errors
Policy 3	Revenue and Expenditure Recognition
Policy 4	Value Added Tax (VAT)

COMPREHENSIVE INCOME AND EXPENDITURE

Policy 5	Revenue Grants and Contributions
Policy 6	Employee Benefits
Policy 7	Costs of Support Services
Policy 8	External Interest
Policy 9	Charges to the Comprehensive Income and Expenditure Statement for the Use of Non-current Assets
Policy 10	Revenue Expenditure Funded from Capital Under Statute
Policy 11	Local Taxation and BIDs

BALANCE SHEET

Policy 12	Fair Value Measurement
Policy 13	Definition of Capital Expenditure
Policy 14	Property, Plant and Equipment
Policy 15	Heritage Assets
Policy 16	Investment Properties
Policy 17	Intangible Assets
Policy 18	Non-Current Asset Disposal
Policy 19	Leases
Policy 20	Bad Debts
Policy 21	Cash and Cash Equivalents
Policy 22	Capital Grants and Contributions
Policy 23	Provisions
Policy 24	Reserves
Policy 25	Financial Assets
Policy 26	Financial Liabilities
Policy 27	Post Balance Sheet Events

OTHER

Policy 28	Contingent Liabilities
Policy 29	Contingent Assets

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

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.

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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. REVENUE AND EXPENDITURE RECOGNITION

Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation.

Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.

The main sources of revenue for the Council are

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from Council Tax and Non Domestic Rates is measured at the full amount receivable (net of impairment losses) as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Payment terms are standard reflecting cross government principles. Significant terms include 30 days for most services provided and 21 days for statutory licences.

In relation to expenditure

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and the value is material, they are carried as inventories on the Balance Sheet.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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, Other Comprehensive Income and Expenditure
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, Other Comprehensive Income and Expenditure
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

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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 Pension Fund charges 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 costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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 Non Domestic 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 Non Domestic 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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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 allowances for credit losses, 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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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 Statements.

25. FINANCIAL ASSETS

Financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are those held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest.

Financial Assets at Fair Value Through Profit and Loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or fair value through other comprehensive income. This includes derivatives and financial assets acquired principally for the purpose of selling in the short term.

Legislation requires that any changes in the fair value of financial assets charged to the Surplus or Deficit on the Provision of Service is to be reversed out to through the Movement in Reserves Statement to the Unusable Reserves.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the The Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

26. FINANCIAL LIABILITIES

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. 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.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2018/19
ACCOUNTING POLICIES (D)

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 2018/19
MOVEMENT IN RESERVES STATEMENT (E)

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	(18,127)	(6,785)	(833)	(25,745)	(14,059)	(39,804)
Total Comprehensive Expenditure and Income	3,325	0	0	3,325	(10,752)	(7,427)
Adjustments between accounting basis & funding basis under regulations	(2,144)	422	(417)	(2,139)	2,139	0
Increase / Decrease in Year	1,181	422	(417)	1,186	(8,613)	(7,427)
Balance at 31 March 2018	(16,946)	(6,363)	(1,250)	(24,559)	(22,672)	(47,231)

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018	(16,946)	(6,363)	(1,250)	(24,559)	(22,672)	(47,231)
Total Comprehensive Expenditure and Income	4,014	0	0	4,014	(1,168)	2,846
Adjustments between accounting basis & funding basis under regulations	(3,472)	(302)	(210)	(3,984)	3,984	0
Increase / Decrease in Year	542	(302)	(210)	30	2,816	2,846
	(16,404)	(6,665)	(1,460)	(24,529)	(19,856)	(44,385)
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	(53)	(53)
Balance at 31 March 2019	(16,404)	(6,665)	(1,460)	(24,529)	(19,909)	(44,438)

See Note 9 for an explanation of the detailed transactions supporting the amounts above.

Total Reserves can be analysed between capital and revenue as follows

	2017/18 £000	2018/19 £000
Capital	(7,613)	(8,125)
Revenue	(16,946)	(16,404)
Pensions	33,545	38,675
Other unusable reserves	(56,217)	(58,584)
Total	(47,231)	(44,438)

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (E)

2017/18

2018/19

Restated
See Note
1

Gross Expenditure	Gross Income	Net			Gross Expenditure	Gross Income	Net
£000	£000	£000		Note	£000	£000	£000
21,028	(17,899)	3,129	Resources		21,924	(17,104)	4,820
3,923	(455)	3,468	Performance and Innovation		3,891	(72)	3,819
8,329	(4,735)	3,594	Strategic Development		8,848	(4,795)	4,053
16,542	(9,789)	6,753	Neighbourhood Services		14,340	(8,603)	5,737
49,822	(32,878)	16,944	Cost of Services	11	49,003	(30,574)	18,429
			Other Operating Income and Expenditure				
	(805)		Loss/(Gain) on the Disposal of non-current Assets	18			(989)
	1,512		Parish council precepts				1,567
	92		Parish Council Tax Reduction grant				92
	57		Pension Administration Costs	35			57
	856						727
			Financing and Investment Income and Expenditure				
	564		Interest Payable	26			570
	895		Net interest payable on net pension liability	35			808
	(152)		Investment Interest income	26			(223)
	(45)		Changes in fair value of Investment Properties	23			405
	(469)		Income received on Investment Properties	23			(476)
	66		Expenses incurred on Investment Properties	23			70
	859						1,154
			Taxation and Non-Specific Grant Income				
	(9,933)		Council Tax Income	Cfund			(10,186)
	(16,510)		Non domestic rates Income	Cfund			(17,444)
	1,255		Non-domestic rates levy	Cfund			1,646
	14,343		Non-domestic rates tariff	Cfund			14,774
	(668)		Income from Cumbria NNDR Pool	Cfund			(884)
	(2,506)		S31 Grant	Cfund			(3,047)
	(249)		Revenue Support Grant				0
	(468)		Other Government Grant				(467)
	(598)		Recognised Capital Grants and Contributions				(688)
	(15,334)						(16,296)
	3,325		(Surplus) or Deficit on Provision of Services				4,014
	(4,173)		(Surplus) or Deficit on revaluation of Non-Current Assets	33e			(5,138)
	470		Non-Current Asset impairment charged to Reval Reserve	33e			778
	15		Movement in fair value of Financial Assets Available for Sale	33f			60
	(7,064)		Remeasurements of Net Defined Benefit Pension Liability	33b			3,132
	(10,752)		Other Comprehensive Income and Expenditure				(1,168)
	(7,427)		Total Comprehensive Income and Expenditure				2,846

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
BALANCE SHEET (E)

31 March 2018 £000			31 March 2019 £000 £000
	NON CURRENT ASSETS	Note	
	Property, Plant and Equipment	18	
56,264	Other Land & Buildings		59,158
5,613	Vehicles, Plant & Equipment		5,570
4,016	Infrastructure		3,951
235	Community Assets		427
17	Assets under construction		93
300	Surplus Assets		103
66,445			69,302
1,814	Heritage Assets	22	1,795
4,973	Investment Property	23	4,594
491	Intangible Assets	20	556
111	Long Term Debtors		51
0	Long Term Investments	26	0
73,834	TOTAL NON CURRENT ASSETS		76,298
	CURRENT ASSETS		
15,502	Short Term Investments	26	18,999
6,637	Short Term Debtors	28	6,538
4,385	Cash and Cash Equivalents	27	1,914
120	Assets held for sale	21	170
26,644	TOTAL CURRENT ASSETS		27,621
	CURRENT LIABILITIES		
(7,016)	Short Term Creditors	29	(7,095)
(404)	Grant Receipts in Advance	29	(797)
(976)	Provisions	30	(853)
(8,396)	TOTAL CURRENT LIABILITIES		(8,745)
92,082	TOTAL ASSETS LESS CURRENT LIABILITIES		95,174
	NON CURRENT LIABILITIES		
(12,800)	Long Term Borrowing	26	(12,800)
(32,051)	Other Long Term Liabilities (Net Pension Liability)	35	(37,936)
(44,851)	NON CURRENT LIABILITIES		(50,736)
47,231	NET ASSETS		44,438
(24,559)	Usable Reserves	8	(24,529)
(22,672)	Unusable Reserves	33	(19,909)
(47,231)	TOTAL RESERVES		(44,438)

Signed Helen Smith

Date 25 July 2019

Finance Lead Specialist (Section 151 Officer)

Signed Stephen Coleman

Date 25 July 2019

Chair of Audit Committee. Approved by Audit Committee

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
CASH FLOW STATEMENT (E)

2017/18 £000		2018/19 £000
	REVENUE ACTIVITIES	
(3,325)	Net surplus or (deficit) on the provision of services	(4,014)
	Adjusted for non-cash items:	
4,795	Depreciation/amortisation/impairments	3,974
(2)	Adjustments for movements in fair value of investments	0
(1,821)	(Increase) / Decrease in Debtors, Creditors & Stocks	966
188	Pension Liability	2,753
(749)	Contribution to/(from) Provisions	(123)
310	Carrying amount of non-current assets sold	200
(45)	Movement in Investment Property values	405
2,676	Total adjustment for non-cash items	8,175
(1,714)	Adjusted for investing and financing activities	(1,877)
(2,363)	Net Cash Flow from Operating Activities	2,284
	INVESTING ACTIVITIES	
(3,996)	Purchase of PPE, investment property and intangible assets	(2,730)
(51,001)	Purchase of short-term and long-term investments	(65,990)
885	Proceeds from the sale of PPE, investment property and intangible assets	885
47,509	Proceeds from short-term and long-term investments	62,492
913	Other receipts from investing activities	943
(5,690)	Net Cash (Inflow) / Outflow from Investing Activities	(4,400)
	CASH FLOW FROM FINANCING ACTIVITIES	
0	Other receipts from financing activities	(355)
1,929	Other payments for financing activities	0
1,929	Net Cash Flow from Financing Activities	(355)
(6,124)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,471)
10,509	Cash and cash equivalents at start of accounting period	4,385
4,385	Cash and cash equivalents at end of accounting period	1,914
(6,124)	MOVEMENT PER THE BALANCE SHEET	(2,471)

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
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:

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SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
NOTES TO THE ACCOUNTS (F)

OVERVIEW

1. Change of Accounting Policy and Prior Period errors

There have been two changes in Policies affecting the 2018/19 accounts. The first relates to the reclassification of financial instruments from 1st April 2018 and details are shown in Note 26.

The second change relates to Support Service recharges. The Code of Practice no longer allows for the apportionment of support services to be reflected in the analysis of Cost of Services. The 2018/19 analysis therefore excludes these apportionments and for comparative purposes they need to be excluded from 2017/18. The following adjustments have been made in the Statements and relevant Notes:

Comprehensive Income and Expenditure Statement

Cost of Services

2017/18			2017/18 Restated			
Gross Expenditure £000	Gross Income £000	Net £000	Gross Expenditure £000	Gross Income £000	Net £000	
20,571	(17,899)	2,672	21,028	(17,899)	3,129	Resources
2,439	(455)	1,984	3,923	(455)	3,468	Performance and Innovation
8,097	(4,735)	3,362	8,329	(4,735)	3,594	Strategic Development
18,650	(9,789)	8,861	16,542	(9,789)	6,753	Neighbourhood Services
49,757	(32,878)	16,879	49,822	(32,878)	16,944	Cost of Services

Financing and Investment Income and Expenditure

1,262	1,262	Other Financing
(465)	(469)	Income Investment props
127	66	Expenses Investment props
924	859	Total Financing

Note 10 Expenditure and Funding Analysis

2017/18	Outturn report Council 24 July 2018	Entries needed to convert outturn to General Fund basis	Net Expenditure Chargeable to the General Fund	Adjustments between General Fund and Accounting Practices Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000
Resources	2,672	68	2,740	(68)	2,672
Performance and Innovation	1,984	(403)	1,581	403	1,984
Strategic Development	3,028	(1,170)	1,858	1,504	3,362
Neighbourhood Services	8,857	(4,217)	4,640	4,221	8,861
Net cost of Services	16,541	(5,722)	10,819	6,060	16,879
Other income and expenditure	(16,541)	6,903	(9,638)	(3,916)	(13,554)
Surplus/Deficit on Provision of Services	0	1,181	1,181	2,144	3,325
Opening General Fund Balances			(18,127)		
Surplus/Deficit (-/+)			1,181		
Closing General Fund Balances			(16,946)		

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2017/18 Restated	Outturn report Council 24 July 2018	Entries needed to convert outturn to General Fund basis	Net Expenditure Chargeable to the General Fund	Adjustments between General Fund and Accounting Practices Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000
Resources	2,672	525	3,197	(68)	3,129
Performance and Innovation	1,984	1,081	3,065	403	3,468
Strategic Development	3,028	(938)	2,090	1,504	3,594
Neighbourhood Services	8,857	(6,325)	2,532	4,221	6,753
Net cost of Services	16,541	(5,657)	10,884	6,060	16,944
Other income and expenditure	(16,541)	6,838	(9,703)	(3,916)	(13,619)
Surplus/Deficit on Provision of Services	0	1,181	1,181	2,144	3,325
Opening General Fund Balances			(18,127)		
Surplus/Deficit (-/+)			1,181		
Closing General Fund Balances			(16,946)		

Note 11 Expenditure and Income analysed by Nature

2017/18					
	Resources	Performance and Innovation	Strategic Development	Neighbourhood Services	CIES
	£000	£000	£000	£000	£000
Income:					
Income from fees and charges	(242)	(22)	(2,059)	(7,095)	(9,418)
REFCUS income*	0	0	(700)	(1,317)	(2,017)
Grants and contributions	(17,657)	(433)	(1,976)	(1,377)	(21,443)
Total	(17,899)	(455)	(4,735)	(9,789)	(32,878)
Expenditure:					
Employees	3,291	1,990	3,290	5,629	14,200
Pension accounting adjustments**	(68)	142	243	413	730
Other Service Expenditure	17,606	1,837	2,724	5,376	27,543
Support Service Charges in	4,921	1,550	3,292	4,341	14,104
Support Service Charges out	(5,179)	(3,341)	(3,413)	(2,234)	(14,167)
Depreciation*	0	88	293	2,587	2,968
REFCUS*	0	173	1,062	1,317	2,552
Impairments*	0	0	606	1,221	1,827
Total	20,571	2,439	8,097	18,650	49,757
Cost of services	2,672	1,984	3,362	8,861	16,879
Other income and expenditure on provision of services (per CIES)					(13,554)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					3,325

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2017/18 Restated					
	Resources	Performance and Innovation	Strategic Development	Neighbourhood Services	CIES
	£000	£000	£000	£000	£000
Income:					
Income from fees and charges	(242)	(22)	(2,059)	(7,095)	(9,418)
REFCUS income*	0	0	(700)	(1,317)	(2,017)
Grants and contributions	(17,657)	(433)	(1,976)	(1,377)	(21,443)
Total	(17,899)	(455)	(4,735)	(9,789)	(32,878)
Expenditure:					
Employees	3,301	1,980	3,290	5,629	14,200
Pension accounting adjustments**	(68)	142	243	413	730
Other Service Expenditure	17,795	1,540	2,835	5,375	27,545
Depreciation*	0	88	293	2,587	2,968
REFCUS*	0	173	1,062	1,317	2,552
Impairments*	0	0	606	1,221	1,827
Total	21,028	3,923	8,329	16,542	49,822
Cost of services	3,129	3,468	3,594	6,753	16,944
Other income and expenditure on provision of services (per CIES)					(13,619)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					3,325

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 2019/20 Code.

The changes to the Code in 2019/20 are:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

IFRS 16 (Leases) was due to be implemented for 2019/20 but has now been delayed until 2020/21 and may have an impact on leases of assets from other bodies. The impact is unlikely to be material as the Council leases a limited number of such assets.

3. Changes in Accounting Estimates

There have been no material changes in estimation techniques for 2018/19.

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4. 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 2019 for which there could potentially be a material adjustment in the forthcoming financial year are:

Description	Detail	Consequences
Property Plant and Equipment (Balance Sheet values 31 March 18 £66.4m 31 March 19 £69.3m)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of 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 £163k. 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 18 £68.3m 31 March 19 £71.1m)	Values of assets are dependent on outside market forces that are reliant on the national and global economic conditions. See also note 4 below 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 2018 £32.1m 31 March 2019 £37.9m)	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. See note 35 below for more details.
Arrears	At 31 March 2019, the Council had a net balance of £6.5m for short term debtors (£6.6m at 31 March 2018). A review of significant balances suggested that an allowance for credit losses of £1.8m (£1.4M at 31 March 2018) 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 allowance for credit losses would require an additional £1.8m to set aside as an allowance.
NDR appeals provision	As part of the Non Domestic Rates Retention scheme, the Council is directly impacted by rates appeals. A gross provision of £2.13m has been set aside (£2.44m at 31 March 2018) and 40% of this, £853k (£976k at 31 March 2018), 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 £853k although the impact may be deferred.

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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 a matter of course all assets with a value of more than 10% of the total assets value are valued every two years.

5. 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.

6. Material Items of Income and Expense

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

	2017/18 £000	2018/19 £000
Housing Benefit payments (within Resources)	16,922	16,278
Car Park Income (within Neighbourhood Services)	(4,567)	(4,462)
Flood Resilience Grant cost (within Neighbourhood services)	1,317	0
Disabled Facilities Grant (within services)	(692)	(856)
Lake Windermere Income (within Neighbourhood services)	(1,287)	(1,438)
SLDC share of Right to Buy receipts (within surplus on disposal of non-current assets)	(800)	(756)
Second Homes income agreement (within Strategic Planning)	(678)	(718)
Recycling Credits (within Neighbourhood Services)	(1,354)	(1,382)
Revaluation of Car Parking included in Other CIES	0	(3,848)
Downward Revaluation of Royalty Cinema included in Other CIES	0	514
Revaluation of Ulverston Swimming Pool and Leisure Centre within Other CIES	(1,327)	0

See also note 17 for material income from grants and note 11 for Employee expenditure.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Finance Lead Specialist on 25 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

There have been no material non-adjusting events since the balance sheet date.

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MOVEMENT IN RESERVES

8. Transfers to/from Usable Reserves

This note shows the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure, 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 April 2017 £000	Transfers out £000	Transfers in £000	Balance 31 March 2018 £000	Transfers out £000	Transfers in £000	Balance 31 March 2019 £000
General Reserve	(8,308)	2,615	(332)	(6,025)	1,652	(413)	(4,786)
Carry Forward Reserve	0	0	(438)	(438)	428	(381)	(391)
Statutory Duties Reserve	(150)	47	(47)	(150)	52	0	(98)
Flooding Costs Reserve	(200)	186	0	(14)	14	0	0
Debt Redemption Reserve	(455)	0	0	(455)	455	0	0
Economic Development Fund	(219)	52	0	(167)	0	(137)	(304)
Kendal Employment Development Fund	(14)	14	0	0	0	0	0
Revenue Funds for Capital	(531)	44	(100)	(587)	380	(100)	(307)
Building Control Fee Income Reserve	0	45	(45)	0	43	(43)	0
Local Land Charges Reserve	(66)	0	(28)	(94)	94	0	0
Licensing Reserves	0	57	(76)	(19)	68	(88)	(39)
Second Homes Income Reserve	0	0	(46)	(46)	0	(46)	(92)
IT Replacement Reserve	(102)	68	(40)	(74)	73	(80)	(81)
Revs and Bens IT reserve	(10)	0	0	(10)	10	0	0
LABGI (Local Authority Business Growth Initiative)	(5)	0	0	(5)	0	0	(5)
Planning Delivery Grant Fund	(58)	40	0	(18)	18	0	0
Local Arts Strategic Partnership Reserve	(30)	0	0	(30)	0	0	(30)
New Homes Bonus Reserve	(755)	0	(702)	(1,457)	214	(875)	(2,118)
General Fund Major Repairs Reserve	(597)	340	(50)	(307)	202	(50)	(155)
Social Lettings Reserve	(20)	20	0	0	0	0	0
NNDR Surplus Reserve	(956)	956	0	0	0	0	0
Cumbria NDR Pool Income Reserve	(777)	143	(535)	(1,169)	599	(1,007)	(1,577)
Cumbria NDR Pool volatility Reserve	(166)	0	(133)	(299)	299	(176)	(176)
Commuted Sums Reserve	(150)	8	(11)	(153)	19	0	(134)
LSVT Environmental Warranties	(341)	59	0	(282)	0	0	(282)
Customer Connect Reserve	(323)	22	(1,000)	(1,301)	1,216	(1,949)	(2,034)
Marshall Hooper Reserve	(37)	0	0	(37)	0	0	(37)
Personal Financial Resilience Fund	0	0	0	0	0	(25)	(25)
Community Housing Fund	(2,357)	48	0	(2,309)	113	(37)	(2,233)
Total Earmarked Revenue Reserves	(16,627)	4,764	(3,583)	(15,446)	5,949	(5,407)	(14,904)
Other Reserves							
Usable capital receipts	(6,785)	1,537	(1,115)	(6,363)	887	(1,189)	(6,665)
CIL Fund Reserve	(149)	5	(153)	(297)	38	(244)	(503)
Capital Grants Unapplied	(684)	2,194	(2,463)	(953)	1,296	(1,300)	(957)
GF Working balance	(1,500)	1,181	(1,181)	(1,500)	542	(542)	(1,500)
Total Usable Reserves	(25,745)	9,681	(8,495)	(24,559)	8,712	(8,682)	(24,529)

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.
- *Carry Forward Reserve* – Monies budgeted in one year but unspent in year and carried-forward to later year(s). Carry-forwards are approved by Cabinet each year. Previously these amounts were included in the General Reserve.
- *Statutory Duties Reserve* - £150k delegated to Senior Management Team for statutory duties and similar unavoidable legal costs of which £52k was used in 2018/19.
- *Flooding Costs Reserve*- An initial £250k was set aside to meet the costs of Storm Desmond in December 2015. Final expenditure was incurred in 2018/19.

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- *Debt Redemption Reserve* – resources set aside from underspends on financing costs for potential future repayment of borrowings to reduce strain on the revenue budget. During 2018/19 the balance was transferred to the Customer Connect Reserve with the same aim.
- *Economic Development Fund* – To encourage economic development in the District.
- *Kendal Employment Development Fund* – Assistance to eligible firms in the Kendal area and other similar spend. The fund was finally used up in 2017/18.
- *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/Local Land Charges Reserve/Licences Reserve* – Statutory ring-fenced reserves to record surpluses and losses on the trading activities of services.
- *Second Homes Income Reserve* – Initiatives to enable the provision of affordable housing.
- *IT Replacement Reserve* – Replacement of IT equipment.
- *Revs and Bens IT Reserve* –to support IT upgrades within Revenues and Benefits, the balance of which was used in 2018/19 upgrades.
- *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* –Government grant that has been fully utilised in 2018/19.
- *Local Arts Strategic Partnership Reserve* –To promote partnership working for local arts projects.
- *New Homes Bonus Reserve* – reserve for grant which provides incentives to promote growth in 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. This fund was used up in 2017/18.
- *NNDR (National Non Domestic Rates) 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 Non Domestic Rate 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.
- *Commutated Sums Reserve* – external contributions from developers to support future maintenance or capital works.
- *LSVT (Large Scale Voluntary Transfer) Environmental Warranties* – Monies set aside as part of the housing transfer in 2012 to provide insurance to mitigate the potential costs of guarantees given for 30 years.
- *Customer Connect Reserve* –Sums to be drawn down as required to support the implementation of the Customer Connect Programme.
- *Marshall Hooper Reserve* – This is a legacy to fund housing schemes around Grange-over-Sands.
- *Personal Financial Resilience Reserves* - established in 2018/19 from unclaimed members allowances to fund initiatives to reduce poverty.
- *Community Housing Fund Reserve* –Grant income for 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.

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9. 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.

2017/18	General Fund Balances £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	(17)	0	0	(17)	17	0
Depreciation	(2,951)	0	0	(2,951)	2,951	0
Impairment/valuation losses to I&E	(1,827)	0	0	(1,827)	1,827	0
Movement in market value of Investment Properties	45	0	0	45	(45)	0
Revenue funded from Capital under Statute (REFCUS)	(2,552)	0	0	(2,552)	2,552	0
REFCUS Grants	2,017	0	(121)	1,896	(1,896)	0
Capital grants applied	0	0	170	170	(170)	0
Value of non-current assets sold	(310)	0	0	(310)	310	0
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	449	0	0	449	(449)	0
Capital expenditure financed from revenue	1,593	0	0	1,593	(1,593)	0
Capital grants/CIL credited to CIES	598	0	(466)	132	(132)	0
Adjustments involving Capital Receipts						
Transfer of non-current asset sales proceeds	1,115	(1,115)	0	0	0	0
Use of Capital Receipts to fund capital expenditure	0	1,537	0	1,537	(1,537)	0
Financing of payments to Capital receipts pool	0	0	0	0	0	0
Transfer from deferred receipts on receipt of cash	0	0	0	0	0	0
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(4,286)	0	0	(4,286)	4,286	0
Employer's payments in the year	2,604	0	0	2,604	(2,604)	0
Collection Fund Adjustment Account NDR	1,376	0	0	1,376	(1,376)	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	(2,144)	422	(417)	(2,139)	2,139	0

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2018/19	General Fund Balances £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	(114)	0	0	(114)	114	0
Depreciation	(3,253)	0	0	(3,253)	3,253	0
Impairment/revaluation losses to I&E	(607)	0	0	(607)	607	0
Movement in market value of Investment Properties	(405)	0	0	(405)	405	0
Revenue funded from Capital under Statute (REFCUS)	(1,289)	0	0	(1,289)	1,289	0
REFCUS Grants	856	0	182	1,038	(1,038)	0
Capital grants applied	0	0	113	113	(113)	0
Value of non-current assets sold	(200)	0	0	(200)	200	0
		0			0	0
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	573	0	0	573	(573)	0
Capital expenditure financed from revenue	877	0	0	877	(877)	0
Capital grants/CIL credited to CIES	688	0	(505)	183	(183)	0
Adjustments involving Capital Receipts						
Transfer of non-current asset sales proceeds	1,189	(1,189)	0	0	0	0
Use of Capital Receipts to fund capital expenditure	0	887	0	887	(887)	0
Financing of payments to Capital receipts pool	0	0	0	0	0	0
Transfer from deferred receipts on receipt of cash	0	0	0	0	0	0
				0	0	0
					0	0
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(4,608)	0	0	(4,608)	4,608	0
Employer's payments in the year	2,610	0	0	2,610	(2,610)	0
Collection Fund Adjustment Account NDR	290	0	0	290	(290)	0
Collection Fund Adjustment Account CTax	(79)	0	0	(79)	79	0
Accumulated Absences Account	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	(3,472)	(302)	(210)	(3,984)	3,984	0

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COMPREHENSIVE INCOME AND EXPENDITURE

10. Expenditure and Funding Analysis

The Council is required to prepare its Income and Expenditure on three different bases. This note attempts to show how each of these three requirements are reconciled with each other. The first column shows the internal management reporting based on the Council's objectives and structure. The overall statutory basis of the Council results in a number of entries in Column (ii) needed to ensure that the Council Taxpayers needs are reflected. This is called the Funding Basis in Column (iii). To ensure that all transactions are recorded in accordance with proper accounting practices the Comprehensive Income and Expenditure Statement is prepared, Column (v), which also requires adjustments, Column (iv), from the Funding Basis. The following analysis shows the monetary effects of these adjustments with further information and details of the adjustment columns being shown in Note 9 for Column (iv) and Note 11 for Columns (ii) and (iv).

2017/18	Outturn report Council 24 July 2018	Entries needed to convert outturn to General Fund basis	Net Expenditure Chargeable to the General Fund	Adjustments between General Fund and Accounting Practices Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated see Note 1 and below*	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000
Resources	2,672	525	3,197	(68)	3,129
Performance and Innovation	1,984	1,081	3,065	403	3,468
Strategic Development	3,028	(938)	2,090	1,504	3,594
Neighbourhood Services	8,857	(6,325)	2,532	4,221	6,753
Net cost of Services	16,541	(5,657)	10,884	6,060	16,944
Other income and expenditure	(16,541)	6,838	(9,703)	(3,916)	(13,619)
Surplus/Deficit on Provision of Services	0	1,181	1,181	2,144	3,325
Opening General Fund Balances			(18,127)		
Surplus/Deficit (-/+)			1,181		
Closing General Fund Balances			(16,946)		

* Note 1 indicates there has been a change in Accounting Policy regarding Support Service Charges. These are no longer reflected in service accounts and Note 1 shows the impact on the Accounts. The above table also reflects these changes except for Column (i) that cannot be amended as that is the amount actually reported. Column (ii) therefore reflects the exclusion of the Support Service charges.

2018/19	Outturn	Entries needed to convert outturn to General Fund basis	Net Expenditure Chargeable to the General Fund	Adjustments between General Fund and Accounting Practices Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000
Resources	4,820	62	4,882	(62)	4,820
Performance and Innovation	3,819	(336)	3,483	336	3,819
Strategic Development	3,651	(697)	2,954	1,099	4,053
Neighbourhood Services	5,733	(3,524)	2,209	3,528	5,737
Net cost of Services	18,023	(4,495)	13,528	4,901	18,429
Other income and expenditure	(18,023)	5,037	(12,986)	(1,429)	(14,415)
Surplus/Deficit on Provision of Services	0	542	542	3,472	4,014
Opening General Fund Balances			(16,946)		
Surplus/Deficit (-/+)			542		
Closing General Fund Balances			(16,404)		

A detailed breakdown of contributions to/from usable reserves is presented in note 8.

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11. Expenditure and Income analysed by Nature

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 analysis below gives further detail on the adjustments required between the reporting, funding and accounting basis. The first table sets out a full 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).

2017/18					
Restated see Note 1	Resources	Performance and Innovation	Strategic Development	Neighbourhood Services	CIES
	£000	£000	£000	£000	£000
Income:					
Income from fees and charges	(242)	(22)	(2,059)	(7,095)	(9,418)
REFCUS income*	0	0	(700)	(1,317)	(2,017)
Grants and contributions	(17,657)	(433)	(1,976)	(1,377)	(21,443)
Total	(17,899)	(455)	(4,735)	(9,789)	(32,878)
Expenditure:					
Employees	3,301	1,980	3,290	5,629	14,200
Pension accounting adjustments**	(68)	142	243	413	730
Other Service Expenditure	17,795	1,540	2,835	5,375	27,545
Depreciation*	0	88	293	2,587	2,968
REFCUS*	0	173	1,062	1,317	2,552
Impairments*	0	0	606	1,221	1,827
Total	21,028	3,923	8,329	16,542	49,822
Cost of services	3,129	3,468	3,594	6,753	16,944
Other income and expenditure on provision of services (per CIES)					(13,619)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					3,325
Reversal of funding adjustments:					
*Capital adjustments	0	(261)	(1,261)	(3,808)	(5,330)
**Pension adjustments	68	(142)	(243)	(413)	(730)
EFA column (iv) Cost of Services	68	(403)	(1,504)	(4,221)	(6,060)
Funding adjustments in other income and expenditure:					
Pension					0
Depreciation					0
Other adjustments as per note 9:					
Value of non-current assets sold					(310)
Statutory provision for repayment of debt (MRP)					449
Capital expenditure financed from revenue					1,593
Capital grants/CIL unapplied credited to CIES					598
Transfer of non-current asset sales proceeds					1,115
Reversal of movement in investment property values					45
Reversal of other IAS19 items					(952)
Collection Fund Adjustment Account NDR					1,378
Adjustments between accounting and funding basis (EFA column (iv))					(2,144)
Total movement on General Fund balances (Per MIRS and EFA column (iii))					1,181

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2018/19

	Resources £000	Performance and Innovation £000	Strategic Development £000	Neighbourhood Services £000	CIES £000
Income:					
Income from fees and charges	(205)	(23)	(2,109)	(7,194)	(9,531)
REFCUS income*	0	0	(856)	0	(856)
Grants and contributions	(16,899)	(49)	(1,830)	(1,409)	(20,187)
Total	(17,104)	(72)	(4,795)	(8,603)	(30,574)
Expenditure:					
Employees	3,892	2,086	3,860	5,594	15,432
Pension accounting adjustments**	(135)	123	179	327	494
Other Service Expenditure	18,094	1,469	3,033	5,218	27,814
Depreciation*	73	109	274	2,911	3,367
REFCUS*	0	104	1,185	0	1,289
Impairments*	0	0	317	290	607
Total	21,924	3,891	8,848	14,340	49,003
Cost of services	4,820	3,819	4,053	5,737	18,429
Other income and expenditure on provision of services (per CIES)					(14,415)
Net surplus/deficit on provision of services (per CIES and EFA column (v))					4,014
Reversal of funding adjustments:					
*Capital adjustments	(73)	(213)	(920)	(3,201)	(4,407)
**Pension adjustments	135	(123)	(179)	(327)	(494)
EFA column (iv) Cost of Services	62	(336)	(1,099)	(3,528)	(4,901)
Funding adjustments in other income and expenditure:					
Pension					0
Depreciation					0
Other adjustments as per note 9:					
Value of non-current assets sold					(200)
Statutory provision for repayment of debt (MRP)					573
Capital expenditure financed from revenue					877
Capital grants/CIL unapplied credited to CIES					688
Transfer of non-current asset sales proceeds					1,189
Reversal of movement in investment property values					(405)
Reversal of other IAS19 items					(1,504)
Collection Fund Adjustment Account NDR					211
Adjustments between accounting and funding basis (EFA column (iv))					(3,472)
Total movement on General Fund balances (Per MIRS and EFA column (iii))					542

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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 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.

	2017/18 £000	2018/19 £000
Reconciliation to EFA column (ii):		
Reverse EFA column (iv) Cost of Services	(6,060)	(4,901)
Less presentation adjustments of corporate items:		
Trading accounts	0	0
Investment properties within Strategic Development	398	402
Investment properties within Neighbourhood Services	4	4
CIL income	0	0
EFA column (II) Cost of Services	(5,658)	(4,495)
Other Income and Expenditure adjustments		
Service items presented corporately	(402)	(406)
Capital charges in corporate items	0	0
Pension adjustments in corporate items	0	0
Reversal of total capital items	5,330	4,407
Reversal of total pension items	730	494
Net movement on Reserves	1,181	542
EFA column (II) other I&E	6,839	5,037
EFA column (ii) total	1,181	542

12. Revenue from Contracts

The Council's income that includes contractual arrangements is shown in Note 11 and amounts to £9.4m. The majority of this income involves payment for services at the time of delivery eg Car Park Income (£4.5m) or that will be delivered within the financial year eg Lake Windermere charges (£1.4m).

In only relatively few areas is payment made in advance of service delivery and even then the amounts that might be paid for and not delivered at the end of the year is insignificant to the total. Separate reporting of these items has therefore not been made and they are included in the income from fees and charges in Note 11.

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13. Agency Services

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

- Car Parks - managing car parks
- Lake Windermere - collecting lake fees on behalf of Lake District National Park Authority

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 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 (£300k 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:

	2017/18 £000	2018/19 £000
SLDC Acting as Agent for Other Organisations		
Income paid over to organisations and individuals	904	946
Management fees received by SLDC	(127)	(132)
Other Organisations Acting as Agent for SLDC		
Income Received	(724)	(709)
Agency Fee Paid By SLDC	35	36

There has been no major change in the nature and extent of agency arrangements in 2018/19.

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14. Members' Allowances

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

	2017/18 £000	2018/19 £000
Allowances	253	255
Expenses	12	14
Total	265	269

15. Officers' Remuneration and Exit Packages

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

		Salary, Fees and Allowances £000	Expenses Allowances £000	Compensation for loss of office £	Pension Contribution £	Total £
Chief Executive	2017/18	107	1	0	17	125
	2018/19	109	1	0	18	128
Corporate Director - Policy and Resources (Monitoring Officer)	2017/18	79	1	0	13	93
	2018/19	81	1	79	13	174
Corporate Director - People and Places	2017/18	75	1	0	12	88
	2018/19	77	1	0	12	90
Assistant Director- Resources (Section 151 Officer)	2017/18	70	1	0	11	82
	2018/19	71	1	72	12	156
Assistant Director- Strategic Development	2017/18	59	1	0	10	70
	2018/19	60	1	40	10	111
Assistant Director- Neighbourhood Services	2017/18	59	1	0	10	70
	2018/19	60	1	0	10	71
Assistant Director- Performance and Innovation	2017/18	59	1	0	11	71
	2018/19	60	1	0	10	71
Financial Services Manager	2017/18	51	0	0	8	59
	2018/19	52	0	0	8	60
Solicitor to the Council	2017/18	43	1	0	7	51
	2018/19	55	1	0	0	56

The pension figures use the primary rate of 16.2% (16.2% for 2017/18) 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. There are no payments for bonus.

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The numbers of Council employees receiving remuneration (treated as salary, special allowances and expenses allowances but excluding pension payments) of more than £50k in 2017/18 and 2018/19 are shown in the table below:

	2017/18 Number of employees	2018/19 Number of employees
£50,000 - £54,999	1	7
£55,000 - £59,999	3	1
£60,000 - £64,999	0	4
£65,000 - £69,999	0	1
£70,000 - £74,999	1	1
£75,000 - £79,999	2	4
£80,000 - £99,999	0	0
£100,000- £119,999	1	1
£120,000 - £139,999	0	0
£140,000 - £159,999	0	1
£160,000 - £179,999	0	1
Total	8	21

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	4	3	1	6	5	9	47	95
£20,001 - £40,000	2	1	0	5	2	6	55	195
£40,001 - £60,000	0	1	0	5	0	6	0	268
£60,001 - £100,000	0	0	0	4	0	4	0	296
TOTAL	6	5	1	20	7	25	102	854

Bandings have been aggregated to prevent disclosure of individual settlements. Three packages were committed in 2017/18 but not paid until 2018/19 including one where the final package was different to the initial approval.

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16. External Audit Costs

The table below shows the Council's costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors. The appointed auditor for 2017/18 and 2018/19 was Grant Thornton UK LLP.

	2017/18 £000	2018/19 £000
Fees payable to the appointed auditor for external audit services	56	43
Fees payable to the appointed auditor for the certification of grant claims and returns	8	16
Additional 15/16 fee for grant claims	2	0
Additional 17/18 fee for grant claims	0	4
Total	66	63

17. Grant Income

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

	2017/18 £000	2018/19 £000
Specific Grant Credited to Services:		
Department for Works and Pensions -		
Housing Benefit Subsidy	(16,890)	(16,178)
Housing Benefit Administration grant	(206)	(188)
Council Tax Reduction Scheme Admin grant	(84)	(80)
Housing Benefit Local Scheme	(30)	(21)
Ministry of Housing, Communities & Local Government -		
NNDR grants	(301)	(300)
New Burdens	(172)	(137)
Local Authority EU Exit Preparation	0	(17)
Flood Relief Grants	(62)	(24)
Neighbourhood Plan grant	0	(20)
High Street Community Clean Up	0	(18)
Elections	(387)	(5)
Individual Electoral Registration and Transformation	(23)	(21)
New Homes Bonus	(1,130)	(875)
Conservation	0	(23)
Flexible Homelessness Support	(82)	(115)
Other minor grants	(31)	(23)
REFCUS (DFG, Flood Repair and Renewal, and CIL)	(2,014)	(851)
Total Specific Grant credited to Cost of Services	(21,412)	(18,896)
Other Contributions credited to Cost of Services	(2,051)	(2,147)
Total Grants and contributions credited to Cost of Services	(23,463)	(21,043)

Non Specific Grants and Contributions credited to Comprehensive Income and Expenditure are shown under Taxation and Non-Specific Grant Income on the face of the Comprehensive Income and Expenditure Statement

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BALANCE SHEET

18. Property, Plant and Equipment
Movements on Balances

Movements in 2017/18	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 2017	55,363	10,541	4,576	171	544	100	71,295
additions	4	1,519	0	0	12	0	1,535
enhancements	1,229	171	0	552	97	0	2,049
disposals	(2)	(37)	0	0	0	0	(39)
revaluations recognised in RR	2,031	0	0	0	0	(137)	1,894
revaluations recognised in I&E	(1,464)	0	0	(488)	0	(100)	(2,052)
assets reclassified	(37)	(78)	0	0	(636)	437	(314)
At 31 March 2018	57,124	12,116	4,576	235	17	300	74,368
Accumulated Depreciation							
at 1 April 2017	(972)	(5,659)	(489)	0	0	0	(7,120)
depreciation charge in the year	(1,919)	(959)	(71)	0	0	(2)	(2,951)
disposals	2	37	0	0	0	0	39
revaluations recognised in RR	1,785	0	0	0	0	13	1,798
revaluations recognised in I&E	214	0	0	0	0	19	233
assets re-classified	30	78	0	0	0	(30)	78
At 31 March 2018	(860)	(6,503)	(560)	0	0	0	(7,923)
Net Book Value							
at 31 March 2017	54,391	4,882	4,087	171	544	100	64,175
at 31 March 2018	56,264	5,613	4,016	235	17	300	66,445

The net book value of assets reclassified in and out of PPE is matched by the amounts reclassified into Assets Held for Sale (£120k) in Note 21 and out of Investment Properties (£116k) in Note 23.

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Movements in 2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructur e Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2018	57,124	12,116	4,576	235	17	300	74,368
additions	0	980	0	0	0	0	980
enhancements	719	219	0	563	111	0	1,612
disposals	(3)	(114)	0	0	0	0	(117)
revaluations recognised in RR	3,032	0	0	0	0	0	3,032
revaluations recognised in I&E	(406)	0	0	(371)	0	0	(777)
assets reclassified	32	(1,102)	0	0	(35)	(197)	(1,302)
At 31 March 2019	60,498	12,099	4,576	427	93	103	77,796
Accumulated Depreciation							
at 1 April 2018	(860)	(6,503)	(560)	0	0	0	(7,923)
depreciation charge in the year	(2,003)	(1,185)	(65)	0	0	0	(3,253)
disposals	3	114	0	0	0	0	117
revaluations recognised in RR	1,347	0	0	0	0	0	1,347
revaluations recognised in I&E	173	0	0	0	0	0	173
assets re-classified	0	1,045	0	0	0	0	1,045
At 31 March 2019	(1,340)	(6,529)	(625)	0	0	0	(8,494)
Net Book Value							
at 31 March 2018	56,264	5,613	4,016	235	17	300	66,445
at 31 March 2019	59,158	5,570	3,951	427	93	103	69,302

The net book value of assets reclassified out of PPE is matched by the amounts reclassified into Intangible Assets (£58k) in Note 20 and Assets Held for Sales (£200k) in Note 21.

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Information on Assets Held

Non-current assets owned by the Council are shown in the table below.

Property, Plant and Equipment Assets Held	Number at 31 March 2017	Changes 2017/18	Number at 31 March 2018	Changes 2018/19	Number at 31 March 2019
Other Land and Buildings:					
Allotments	various sites	various sites	various sites	various sites	various sites
Car Parks	43	0	43	1	44
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	4	(1)	3	0	3
Sports Centres	3	0	3	0	3
Swimming Pools	3	(1)	2	0	2
Toilets	30	0	30	(1)	29
Tourist Information Centres	2	(1)	1	0	1
Other land and buildings	42	0	42	(4)	38
Vehicles Plant and Equipment:					
Vehicles	76	5	81	(1)	80
CCTV Schemes	0	0	0	0	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	186	0	186	0	186
Surplus Assets:	2	1	3	2	5

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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 4) over periods reflecting the following estimated useful lives:

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

Classification	Detail	Default Useful Life (Years)
Other Land and Buildings	Car Parks - Multi-storey	50
	Car Parks - Surface	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 and Office Equipment / Furniture	10
Infrastructure Assets	Effluent Treatment Works, Recycling Facilities	10
	Flood Defences,	Up to 100
Community Assets	Playground Equipment	10
	Buildings	50
Non-Operational Assets	Buildings	50

The actual useful life of individual assets are recommended by the valuer as part of the revaluation process.

Revaluations

The Council re-values its assets every four years as part of a rolling programme. M. A. Wallwork MRICS, Estates Surveyor 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.

An analysis of the carrying values by their valuation date is presented below:

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	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Surplus £000	Total £000
Carried at historical cost	368	5,570	3,951	421	83	0	10,393
Valued at fair and current value as at:							
31 March 2019	36,757	0	0	0	0	0	36,757
31 March 2018	20,798	0	0	0	0	100	20,898
31 March 2017	287	0	0	0	0	0	287
31 March 2016	941	0	0	6	10	3	960
31 March 2015	7	0	0	0	0	0	7
Total Cost or Valuation	59,158	5,570	3,951	427	93	103	69,302

The major capital commitments as at 31 March were:

	2018 £000	2019 £000
Affordable Housing Grants	495	40
Ulverston Town Hall	0	495
Public Realm schemes	401	152
Vehicles	808	186
Car park machine upgrades	0	106
Play Areas	61	264
IT Replacement Fund/Digital Innovation	15	32
Rothay Park	3	0
Former Knitwear Factory	93	0
Braithwaite Fold caravan park	23	5
Bins and signage	34	0
LIPS applications	0	20
Energy Saving building enhancements	0	15
Others	24	11
Total Commitments	1,957	1,326

The main commitments at 31 March 2019 were - payment to Housing Association awaiting first payment trigger point (£495k), works ordered but not commenced to refurbish play areas (£264k), refuse vehicles ordered but due to become operational early in 2019/20 (£186k) and public realm schemes where payment of contributions to outside bodies are not yet due (£152k).

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19. Impairment Losses and Downward Revaluations

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 2018/19 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £2.1m. This was mainly due to capital expenditure that has not added to the current or fair value of a non-current asset.

	2017/18 £000	2018/19 £000
Public Conveniences	(79)	0
Car Parks	(82)	(511)
Lake Assets	(636)	(44)
Offices	(533)	(258)
Historic properties	(119)	(1)
Retail/commercial properties	(96)	(623)
Hostel	(45)	0
Markets	(111)	0
Recreation/parks	(488)	(372)
Cemeteries	(10)	0
Sports Centres	0	(162)
Depots	(173)	(99)
Other	(57)	(66)
Total Impairments and downward Revaluations	(2,429)	(2,136)
Through Provision of Services	(1,957)	(1,358)
Through Other CIES	(472)	(778)
Prior year impairments credited to Provision of Services	9	126

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20. 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.

During 2018/19 the digital innovation project was transferred into intangible assets (£58k) and the scheme was enhanced by continuing software development work (£121k).

Street market licences are not amortised but are revalued as part of the rolling programme of asset revaluations as shown in Note 18. As at 31 March 2019 they made up £71k (£71k at 31 March 2018) of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows.

	2017/18 £000	2018/19 £000
Cost or Valuation:		
Balance at 1 April	914	1,274
Additions/enhancements	377	121
Disposals	0	0
Impairments	(17)	0
Assets reclassified	0	66
At 31 March	1,274	1,461
Amortisation:		
At 1 April	(766)	(783)
Charge for the Year	(17)	(114)
Disposals	0	0
Assets reclassified	0	(8)
At 31 March	(783)	(905)
Balance Sheet Amount at 1 April	148	491
Balance Sheet Amount at 31 March	491	556

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21. Assets Held for Sale

	2017/18 £000	2018/19 £000
Cost or Valuation:		
Balance at 1 April	0	120
Additions	0	50
Disposals	(78)	(1,237)
assets re-classified	198	1,237
At 31 March	120	170
Depreciation at 1 April	0	0
Charged in year	0	0
Disposals	78	1,037
assets re-classified	(78)	(1,037)
At 31 March	0	0
Net Book Value		
At 31 March	120	170

At the start of 2018/19, the toilet block at Glebe Road, Bowness was held as an asset held for sale (£120k) and sale is imminent. During the year a parcel of land was recognised as an asset held for sale (£50k) but the sale has not yet taken place. Ulverston Town Hall (£200k) and several refuse vehicles (£1,037k) were re-classified as assets held for sale, and subsequently were sold.

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22. 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 Museum Collection is re-valued every 5 years by external valuers and up-dated each year in line with the Insurance Value. The latest re-valuation took place in 2018/19 by Tennants professional Auctioneers of Leyburn, North Yorkshire. The movement on the balance sheet is explained by revaluation and disposal of museum exhibits and these are as follows:

Movements	Museum Collections 2017/18 £000	Museum Collections 2018/19 £000
Cost or Valuation		
At 1 April	2,107	1,814
enhancements	0	1
disposals	(310)	0
revaluations	17	(20)
At 31 March	1,814	1,795
Net Book Value		
at 1 April	2,107	1,814
at 31 March	1,814	1,795

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.

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. During 2017/18 some museum exhibits were transferred to another museum.

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23. 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

	2017/18 £000	2018/19 £000
Balance at start of the year	4,729	4,973
Additions	83	27
Disposals	0	0
Revaluations	170	213
Reclassifications and amendments	116	0
Impairments	(125)	(619)
Balance at end of the year	4,973	4,594

Depreciation is not applicable to investment properties. Direct income and expenditure relating to investment properties is detailed in the Comprehensive Income and Expenditure Statement. 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

	Number at 31 March 2017	Changes 2017/18	Number at 31 March 2018	Changes 2018/19	Number at 31 March 2019
Investment Properties Assets Held					
Miscellaneous Commercial Properties	12	2	14	0	14
Retail Properties	5	0	5	0	5
Trading/ Industrial Site	4	0	4	0	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 nor based on recent transactions from similar assets. These have been based on either the income method or the market value method:

- £3.47m (£3.4m 2017/18) 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 8 and 14 (between 7 and 12 in 2017/18).
- £1.12m (£1.58m 2017/18) 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. More details about the levels used in assessing fair values can be found in note 26 (Financial Instruments).

Significant changes to the underlying assumptions could potentially cause significant change to the values. The valuations were performed by a professionally qualified valuer, Michael Wallwork, 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.

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24. 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, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The Capital Finance Requirement is analysed in the second part of this note. The increase in the Requirement for the year is due to unfinanced capital expenditure on the vehicle and plant programme.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	17,177	17,996
Capital Investment:		
Property, Plant and Equipment, Intangibles and Investment Properties	4,044	2,740
Revenue Expenditure Funded from Capital under Statute	2,552	1,289
Sources of finance:		
Capital receipts	(1,537)	(887)
Government grants and other contributions	(2,198)	(1,334)
Sums set aside from revenue:		
Direct revenue contributions	(1,593)	(877)
Minimum Revenue Provision	(449)	(573)
Closing Capital Financing Requirement	17,996	18,354
Explanation of movements in year:		
Decrease in underlying need to borrow - Minimum Revenue Provision	(449)	(573)
Increase in underlying need to borrow	1,268	931
Increase/(decrease) in Capital Financing Requirement	819	358

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25. 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 currently holds operating leases for the provision of digital printing equipment. Operating leases for Vehicles ceased in 2017/18 and they are now purchased outright. The future lease payments are expected to be:

	31 March 2018 £000	31 March 2019 £000
Not later than one year - printing	19	14
Not later than one year - vehicles	0	0
Between one year and five years- printing	6	2
Between one year and five years- vehicles	0	0
Later than five years	0	0
Minimum lease payments	25	16

£25k was charged to the Comprehensive Income and Expenditure Statement for operating leases in 2018/19 (£159k in 2017/18). 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 2018 £000	31 March 2019 £000
Not later than one year	309	365
Between one year and five years	859	721
Later than five years	1,191	1,129
Total	2,359	2,215

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.

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26. Financial Instruments

Reclassification and Re-measurement of Financial Assets at 1 April 2018

The following table shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accountant and the re-measurements of carrying amounts then required.

	Carrying amount brought forward at 1 April 2018 £000s	New Classification		
		Amortised cost £000s	Fair Value through other comprehensive income £000s	Fair Value through profit and loss £000s
Previous Classifications				
Loans and Receivables	19,180	15,770	0	3,410
Available for sale	3,606	3,606	0	0
Fair Value through profit and loss	0	0	0	0
Reclassified amounts at 1 April 2018		19,376	0	3,410
remeasurements at 1 April 2018		(60)	0	0
Remeasured carrying amounts at 1 April 2018		19,316	0	3,410
Impact on General Fund Balance				0
Impact on Financial Instruments Revaluation Reserve				60

Effect of Asset Reclassifications and Re-measurements on the Balance Sheet

The following table shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

	Amortised cost £000s	Fair Value through other comprehensive income £000s	Fair Value through profit and loss £000s	Non Financial instrument Balances £000s	Total Balance Sheet Carrying amount £000s
Remeasured carrying amounts at 1/04/18	19,316	0	3,410		
Long term debtors	51	0	0	0	51
Current investments	15,502	0	0	0	15,502
Current Debtors	2,788	0	0	3,849	6,637
Cash & Cash Equivalents	975	0	3,410	0	4,385

Application of Classification Requirements and Re-measurements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018

- Non-Current Investments of £104k, was reclassified from available for sale to amortised costs, as the fact that there is an active market price is no longer relevant to its classification and it is being held as part of a business model to collect contractual cash flows.
This resulted in the £60k held in the available for sale reserve being transferred back to the asset to get the amortised cost of non-current investments of £44k.

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- Current Investments of £3.5m in Certificate of Deposits, was reclassified from available for sale to amortised costs, as the fact that there is a quoted market price is no longer relevant to its classification and it is being held as part of a business model to collect contractual cash flows. No re-measurement was required to adjust the balance to amortised cost.

Categories of Financial Instruments

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

	Long-term		Current		Total	
	1 April 2018 £000	31 March 2019 £000	1 April 2018 £000	31 March 2019 £000	1 April 2018 £000	31 March 2019 £000
Investments:						
Amortised Cost	0	0	15,502	18,999	15,546	19,043
Financial assets at fair value through profit and loss	0	0	0	0	0	0
Total Investments	0	0	15,502	18,999	15,546	19,043
Debtors:						
Amortised Cost	51	51	2,788	2,422	2,795	2,429
<i>Debtors that are not financial instruments</i>	0	0	3,849	4,116	3,849	4,116
Total Debtors	51	51	6,637	6,538	6,644	6,545
Cash & Cash Equivalents						
Amortised Cost	0	0	975	584	975	584
Financial assets at fair value through profit and loss	0	0	3,410	1,330	3,410	1,330
Total Cash & Cash Equivalents	0	0	4,385	1,914	4,385	1,914
Borrowings:						
Financial liabilities at amortised cost	(12,800)	(12,800)	0	0	(12,800)	(12,800)
Total borrowings	(12,800)	(12,800)	0	0	(12,800)	(12,800)
Creditors:						
Financial liabilities at amortised cost	0	0	(2,808)	(1,706)	(2,808)	(1,706)
<i>Creditors that are not financial instruments</i>	0	0	(4,612)	(6,186)	(4,612)	(6,186)
Total Creditors	0	0	(7,420)	(7,892)	(7,420)	(7,892)

To ensure comparability the re-classified balance sheet at the 1 April 2018 has been used in place of the 31 March 2018.

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Income, Expense, Gains and Losses

The table below shows the impact of financial instruments on Comprehensive Income and Expenditure.

	2017/18			2018/19		
	Financial Assets and Liabilities measured at amortised cost £000	Assets at fair value through profit and loss £000	Total £000	Financial Assets and Liabilities measured at amortised cost £000	Assets at fair value through profit and loss £000	Total £000
Interest expense	564	0	564	570	0	570
Interest income	(144)	(8)	(152)	(187)	(35)	(222)
(Gains) and Losses on Revaluation	0	0	0	0	0	0
Total (Income)/Expense in Surplus or Deficit on the Provision of Services	420	(8)	412	383	(35)	348
Gains on revaluation	0	0	0	0	0	0
Losses on revaluation	15	0	15	60	0	60
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	15	0	15	60	0	60
Net (gain)/loss for the year	435	(8)	427	442	(35)	407

Financial assets and liabilities measured at fair value

Some of the Council's financial assets are measured at fair value in the balance sheet. The valuation of assets and liabilities measured at fair value has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (e.g. quoted equities).
- Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
- Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, neither of which the Council invests in.

Where applicable these are described in the following table including the valuation technique used to measure them.

Fair Value through Profit and Loss	Input level in Fair Value Hierarchy	Valuation Technique used	As at 1 April 2018 £000	As at 31 March 2019 £000
Monet Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	3,410	1,330
Total			3,410	1,330

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Fair Values of Assets and Liabilities not measured at fair value

Financial assets and liabilities, as represented by Investments, loans 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 2.26% and 2.39% (2.35% and 2.54% for 31 March 2018). 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 1.33% and 1.47% under PWLB debt redemption procedures (1.42% and 1.62% for 31 March 2018);
- 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.
- the fair value of long term investment in the closed rent to mortgage scheme is achieved using Level 2 inputs. These inputs are the observable values of similar properties in the same area.

Liabilities	31 March 2018		31 March 2019	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities – PWLB Redemption Rate	(12,800)	(23,453)	(12,800)	(23,798)
Financial liabilities – PWLB New Loan Rate	as above	(19,061)	as above	(19,405)
Current Creditors	(2,808)	(2,808)	(1,706)	(1,706)
Total Financial Liabilities (Redemption)	(15,608)	(26,261)	(14,506)	(25,504)
Total Financial Liabilities (New Loan)	(15,608)	(21,869)	(14,506)	(21,111)

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.

Assets	1 April 2018		31 March 2019	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Amortised Cost - Long Term Debtors	51	111	51	111
Amortised Cost - Current Investments	12,000	11,993	18,999	19,041
Amortised Cost – Cash Equivalents	975	975	584	584
Current Debtors	2,788	2,788	2,422	2,422
Total Financial Assets	15,814	15,867	22,056	22,158

To ensure comparability the re-classified balance sheet at the 1 April 2018 has been used in place of the 31 March 2018.

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.

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The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments 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 shows a notional gain arising from a commitment to receive interest above 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 2018/19 Annual Treasury Management Strategy was reported to and approved by Council on 27 February 2018, and is available on the Council's 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 2018/19 was set at £24.6m (£24.4m for 2017/18). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £18.6m (£18.4m for 2017/18). 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 the authorised limit for the Council's net debt, with variable set at zero for debt and £20m for investments (unchanged from 2017/18).

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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 minimises 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 institutions located within specific categories.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also considers credit watches and credit outlooks from credit rating agencies, credit default swap spreads to give early warning of likely changes in credit ratings, sovereign ratings to select counterparties from only the most creditworthy countries, credit ratings for various durations for counterparties and which UK institutions are provided with support from the UK Government.

This criteria applies a colour to counterparties with Link's suggested time limits. To this the Council applies the following overlays:

	Criteria	Money Limit	Time Limit
UK Banks	Blue or Orange	£3m	1 year
UK Banks	Red	£3m	6 Months
UK Banks	Green	£3m	100 Days
Non UK Banks	Blue or Orange	£3m	190 Days
Non UK Banks	Red	£3m	6 Months
Non UK Banks	Green	£3m	100 Days
Banks	No colour	£0m	n/a
<i>Building Societies</i>	Top 5 by Asset size and assets > £2 billion	£3m	6 months
<i>Building Societies</i>	Top 6-10 by Asset size and assets > £2 billion	£2m	6 months
<i>Debt Management Account Deposit Facility - DMADF</i>	n/a	Unlimited	6 months
<i>UK Gilts, Treasury Bills</i>	n/a	Unlimited	5 years
<i>Local Authorities</i>	N/A	£5m	2 Years
<i>Money Market Funds</i> - LVNAV - CNAV Government Funds	AAA	£5m	Liquid
<i>Multilateral Development Banks and Supranational Organisations</i>	AAA	£3m	2 Years
<i>Other Collective Investment Schemes e.g. Enhanced Money Market Funds & Bond Funds</i>	AAA S1/V1	£2m	1 Year

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Performance against the approved strategy has been reported to Council on a quarterly basis and there have been no breaches of the strategy during the year.

Amounts Arising from Expected Credit Losses

The Council has two classes of financial assets that require an expected credit loss to be calculated for, they are Sundry Debtors and Investments.

Sundry Debtors expected credit loss is a lifetime allowance calculated using a simplified collective approach. In 2017/18 the loss allowance was £1.044m and for 2018/19 this has changed to £1.255m. Further breakdown on how this has been made up is included in Note 28 Debtors.

The expected credit loss for Investments has been calculated on a 12 month basis using historic tables for default provided by the three main credit rating agencies this results in a loss allowance of under £1,000 in each year.

Liquidity Risk

The Council manages its liquidity position through 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.

The Council does not generally allow credit for customers. However £395k of the £3,117k balance (due from its general debtors) is past its due date for payment (more than 30 days overdue) (£317k of £2,788k for 31 March 2018). The past due but not impaired amount can be analysed by age as follows:

	31 March 2018 £000	31 March 2019 £000
0 to six months	121	192
Six months to one year	48	45
More than one year	148	158
Total	317	395

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.

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 addresses the risk through the treasury indicator limits for the maturity structure of debt and limits placed 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

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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 2018		31 March 2019	
		£000	%	£000	%
Less than one year (creditors and short term borrowing)	25%	(2,808)	17%	(1,706)	11%
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%	(800)	5%	(800)	5%
Between 30 and 40 years	100%	(6,000)	39%	(6,000)	42%
Between 41 and 45 years	100%	(6,000)	39%	(6,000)	42%
Total		(15,608)	100%	(14,506)	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 or 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 March 2018 £000	31 March 2019 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(308)	(353)
Impact on surplus or deficit on the provision of services	(308)	(353)
Decrease in fair value of fixed rate investment assets	39	43
Impact on Other Comprehensive Income and Expenditure	39	43
Decrease in value of fixed rate borrowings liabilities (based on early repayment)*	4,677	4,701
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,551	3,592

*Disclosure items only, no impact on CIES.

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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.

27. Cash and Cash Equivalents

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

	31 March 2018 £000	31 March 2019 £000
Cash held by the Authority	1	1
Bank current accounts	974	583
Short-term deposits with Money Market Funds	3,410	1,330
Total Cash and Cash Equivalents	4,385	1,914

Cash flows from operating activities in the Cash Flow statement include the following cash flows relating to interest

	2017/18 £000	2018/19 £000
Interest Received	122	211
Interest Paid	(564)	(570)
	(442)	(359)

28. Debtors

The current debtors balance is made up as follows:

	31 March 2018 £000	31 March 2019 £000
Central Government bodies	2,241	1,458
Other Local Authorities	1,030	1,762
Public corporations and trading funds	19	16
Bodies external to general government	3,347	3,302
Total	6,637	6,538

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These figures are shown net of the following allowances for credit losses:

Allowance for credit losses	Balance 1 April 2017	Debts written off in year	Increase (decrease) in year	Balance 1 April 2018	Debts written off in year	Increase (decrease) in year	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Council Taxpayers	148	(19)	(2)	127	(64)	101	164
Non Domestic Ratepayers	258	(63)	53	248	(189)	294	353
Sundry Debtors	1,089	(88)	43	1,044	(103)	314	1,255
Total	1,495	(170)	94	1,419	(356)	709	1,772

This value has increased in the year mainly due to higher amounts of older debts outstanding.

29. Creditors

The current creditors balance is made up as follows:

	31 March 2018 £000	31 March 2019 £000
Central Government bodies	(2,567)	(2,084)
Central Government bodies grant receipts in advance	(404)	(797)
Other Local Authorities	(1,899)	(2,241)
Public corporations and trading funds	(58)	0
Bodies external to general government	(2,492)	(2,770)
Total	(7,420)	(7,892)

The amounts due to central government bodies is broadly the same. The change in amounts due to bodies external to general government shows the effect of the customer connect programme.

30. Provisions

The Council has no general provisions.

The only provision at 31 March 2018 and 2019 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. This has decreased in value during the year due to the closure of the old 2010 rating list and new Rating List from 1 April 2017. For the ongoing claims, where these are successful, refunds of overpayments will need to be made. The provision of £853k is based on the Council's share (40%) of the estimated cost of the appeals.

Specific provisions	Balance 31 March 2017	Amounts used in year	Amounts added in year	Balance 31 March 2018	Amounts used in year	Amounts added in year	Balance 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Land Charges and planning	(27)	27	0	0	0	0	0
Flood grant provision	(810)	810	0	0	0	0	0
NDR appeals provision	(888)	0	(88)	(976)	193	(70)	(853)
Total	(1,725)	837	(88)	(976)	193	(70)	(853)

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31. Contingent Liabilities

At 31 March 2019, 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 £296k 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 have now paid £75k, 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.
- During 2015/16 the Council received a request for National Non Domestic Rate 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.
- There are three cases/issues in which the Council is involved for differing reasons. The Council is addressing these and believes that it will successfully rebut them.
- 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 and have a reserve set aside for any future purchase up until the end of the 30 year period. During 2015/16 the Council was notified of the detection of radon in properties covered by the warranty.

32. Contingent Assets

- Right to Buy sharing agreement –the Council has entered into an agreement with South Lakes Housing (SLH) relating to the future sales under the Preserved Right to Buy 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 £756k of capital receipts from SLH in relation to this during 2018/19 (£800k in 2017/18).
- VAT shelter arrangements – in normal circumstances South Lakes Housing (SLH) 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 2018/19 the spend by South Lakes Housing with external contractors rose slightly and £349k was received during the year (£267k in 2017/18).

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33. Unusable Reserves

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

Unusable reserve	31 March 2018 £000	31 March 2019 £000
A. Untaken Absences Account	212	212
B. Pensions Reserve	33,545	38,675
C. Capital Adjustment Account	(21,240)	(20,450)
D. Collection Fund Adjustment Account	(476)	(687)
E. Revaluation Reserve	(34,609)	(37,615)
F. Financial Instruments Adjustment Account	(60)	0
G. Deferred Capital Receipts Reserve	(44)	(44)
Total Unusable Reserves	(22,672)	(19,909)

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 March 2019 was not judged to be significantly different to the existing balance and so no adjustment has been made for the year:

UNTAKEN ABSENCES ACCOUNT	2017/18 £000	2018/19 £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 Comprehensive Income and Expenditure 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	2017/18 £000	2018/19 £000
Balance at 1 April	38,927	33,545
Re-measurements of net defined benefit pension liability	(7,064)	3,132
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	4,286	4,608
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,604)	(2,610)
Balance at 31 March	33,545	38,675

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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	2017/18 £000	2018/19 £000
Balance at 1 April	(21,261)	(21,240)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
- Depreciation/impairment charges for non-current assets	4,778	3,860
- Amortisation of intangible assets	17	114
- Revenue expenditure funded from capital under statute	2,552	1,289
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	310	200
Capital Grants received and applied	(2,028)	(1,221)
Movements in the market value of Investment Properties	(45)	405
Total adjustments to CIES	5,584	4,647
Amounts direct from Revaluation Reserve	(1,814)	(1,354)
Assets not previously valued	0	(53)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance expenditure	(1,537)	(887)
Application of grants from Capital Grant Unapplied	(170)	(113)
Minimum Revenue Provision	(449)	(573)
Capital expenditure charged against the General Fund	(1,593)	(877)
Total financing	(3,749)	(2,450)
Balance at 31 March	(21,240)	(20,450)

D. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Retained Non Domestic 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	2017/18 £000	2018/19 £000
Balance at 1 April	902	(476)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(1,376)	(290)
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)	79
Balance at 31 March	(476)	(687)

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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	2017/18 £000	2018/19 £000
Balance at 1 April	(32,720)	(34,609)
Upward revaluation of assets	(4,173)	(5,138)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	470	778
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,703)	(4,360)
Difference between fair value depreciation and historical cost depreciation	1,814	1,354
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	1,814	1,354
Balance at 31 March	(34,609)	(37,615)

F. Financial Instruments Adjustment Account

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. Following the adoption of IFRS 19 Financial Instruments the Held for Sale element of this reserve has been reversed.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT	2017/18 £000	2018/19 £000
Balance at 1 April	(75)	(60)
Notional interest in the year charged to the Comprehensive Income and Expenditure Statement	0	0
Revaluation of Asset held for Sale realised	0	0
Movement in fair value of Financial Instruments Held for Sale	15	60
Balance at 31 March	(60)	0

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	2017/18 £000	2018/19 £000
Balance at 1 April	(44)	(44)
Transfer to the Capital Receipts Reserve on receipt of cash	0	0
Balance at 31 March	(44)	(44)

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OTHER NOTES

34. 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 17.

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 2018/19 totals £269k (2017/18 £265k) and is shown in Note 14. An independent remuneration panel is used in setting Member's allowances. Some transactions with related parties in the year have been identified, but these are of low value and not considered material to either party.

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, one Member to the Cumbria Police and Crime Panel and up to 2 Members to the board of South Lakes Housing. A historic report on the work of SLDC representatives for 2018/19 was presented to Council on 21 May 2019. 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 23 April 2019 which stated:

"The Committee continues to ensure that the Council has a robust mechanism in place for standards arrangements as well as reviewing the Code of Conduct and various Member/Officer protocols.

Overall, the evidence suggests that ethical standards in the Authority are sound. The intention – of both Officers and the Standards Committee – must be (and indeed is) to provide a significant and positive contribution to overall corporate performance."

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 sent to 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 2019.

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Other Public Bodies

Other related parties are other Local Authorities, particularly Cumbria County Council, Cumbria Police Authority and local Parish Councils. 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 35.

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 two SLDC Members out of a total board of between five and twelve. South Lakes Housing continue to collect income on behalf of SLDC in relation to Town View Fields Hostel. These amounts are included within the Agency Services disclosures (note 13). 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 (£1.1m in 2018/19, £1.1m in 2017/18). Although there is potential for the Council to significantly influence the operating policies of South Lakes Housing, it is judged 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 (other than limited agreements in the transfer agreement and identified in Contingent Liabilities in Note 31).

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35. 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 (LGPS), 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 frequent review of the plan assets and liabilities by professional actuaries (Mercer Limited) and active management of the investment portfolio by the administering 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 staff 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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement (CIES):				
Cost of Services:				
- current service cost	3,334	3,104	0	0
- past service costs	0	608	0	0
- settlements and curtailments	0	31	0	0
- Pension Admin costs	57	57	0	0
Financing and investment income and expenditure:				
- Net interest cost on net liability	775	808	120	117
Total post employment benefit charged to CIES	4,166	4,608	120	117
Other post employment benefit charged to CIES				
- return on plan assets	(1,595)	(4,614)	0	0
- actuarial (gain)/losses due to demographic assumptions	0	0	0	0
- actuarial (gain)/losses due to financial assumptions	(5,362)	7,591	(107)	155
- actuarial (gain)/losses due to other assumptions	0	0	0	0
Total charged to the CIES	(2,791)	7,585	13	272
Movement in reserves statement:				
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(4,166)	(4,608)	(120)	(117)
Actual amount charged against the general fund in the year:				
- employers' contributions payable to scheme	2,315	2,323	289	287

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Included in 2018/19 is a total of £608k for past service costs. This cost has arisen following a court judgement on a different Public Sector Pension Scheme which has led to a reassessment of liabilities relating to active members of the Local Government Pension Scheme who joined the fund prior to 1 April 2012.

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 2019 is a loss of £10.450m. The net of post-employment benefits debited to Other CIES is £3.132m (credit of £7.064m in 2017/18), 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 2020.

The projected employer contributions for the forthcoming financial year (2019/20) are estimated to be £2.572m

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	148,034	145,760	4,933	4,657
Current service cost	3,334	3,104	0	0
Interest cost	3,653	3,738	120	117
Contributions by scheme participants	615	614	0	0
- actuarial (gain)/losses due to demographic assumptions	0	0	0	0
- actuarial (gain)/losses due to financial assumptions	(5,362)	7,591	(107)	155
- actuarial (gain)/losses due to other assumptions	0	0	0	0
Benefits paid	(4,514)	(4,522)	(289)	(287)
Curtailments and past service	0	639	0	0
Closing balance at 31 March	145,760	156,924	4,657	4,642

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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	114,040	116,872	0	0
Expected rate of return	2,878	3,047	0	0
Return on plan assets	1,595	4,614	0	0
Pension Administration Costs	(57)	(57)	0	0
Employer contributions	2,315	2,323	289	287
Contributions by scheme participants	615	614	0	0
Benefits paid	(4,514)	(4,522)	(289)	(287)
Closing balance at 31 March	116,872	122,891	0	0

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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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of assets:					
Local Government pension scheme	91,479	92,014	114,040	116,872	122,891
Present value of liabilities:					
Local Government pension scheme	(120,795)	(117,458)	(148,034)	(145,760)	(156,924)
Discretionary benefits	(4,955)	(4,653)	(4,933)	(4,657)	(4,642)
Total scheme (deficit)/surplus	(34,271)	(30,097)	(38,927)	(33,545)	(38,675)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £38.675m 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 £739k payment relating to the lump sum employer contributions for 2019/20. 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 2019 to £37.936m.

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

	Local Government Pension Scheme	
	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	23.2	23.3
- women	25.8	25.9
Longevity at 65 for future pensioners:		
- men	25.5	25.6
- women	28.5	28.6
Other Assumptions:		
Rate of inflation - CPI	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.4%

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2018/19
NOTES TO THE ACCOUNTS (F)

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 March 2018		31 March 2019	
	£000	%	£000	%
Equity investments				
UK Quoted	14,843	12.7	11,553	9.4
Global Quoted	25,011	21.4	26,544	21.6
UK Equity Pooled (unquoted)	1,286	1.1	1,229	1.0
Overseas Equity Pooled (unquoted)	16,946	14.5	17,328	14.1
Equity Protection	0	0.0	1,598	1.3
Bonds				
UK Government Index Pooled (unquoted)	20,453	17.5	21,997	17.9
UK Corporate Bonds (quoted)	6,895	5.9	7,496	6.1
Overseas Corporate Bonds (quoted)	351	0.3	246	0.2
Property				
UK	7,480	6.4	7,742	6.3
Property Funds	3,389	2.9	3,687	3.0
Cash/Liquidity				
Cash Accounts	6,194	5.3	5,899	4.8
Net Current Assets	0	0.0	123	0.1
Other				
Healthcare Royalties	467	0.4	737	0.6
Private Debt Funds	2,571	2.2	2,949	2.4
Private Equity Funds	2,805	2.4	3,564	2.9
Infrastructure Funds	7,480	6.4	9,585	7.8
Real Estate Debt Funds	701	0.6	614	0.5
Total	116,872	100.0	122,891	100.0

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	161,566	158,915	164,262	161,857	164,777
Assets	(122,891)	(122,891)	(122,891)	(122,891)	(122,891)
(Deficit)/surplus	38,675	36,024	41,371	38,966	41,886

INCOME AND EXPENDITURE ACCOUNT

2017/18			2018/19		
£000	£000		Note	£000	£000
		INCOME			
(90,591)		Council Tax (Gross)		(94,770)	
8,191		Less Council Tax Discounts		8,908	
4,871		Less Council tax reduction scheme		4,882	
	(77,529)	Net Income from Council Tax			(80,980)
	(67)	Local Council Tax Discounts from General Fund			(30)
	(40,576)	Non-Domestic Rates	3		(42,869)
	(118,172)	TOTAL INCOME			(123,879)
		EXPENDITURE			
57,478		Cumbria County Council Precept	2	60,300	
9,906		Cumbria Police Precept	2	10,535	
9,893		SLDC (inc Parish) Precepts	2	10,242	
151		Council Tax Amounts written-off		63	
(150)		Council tax impairment of debt		300	
	77,278	Council Tax Precepts and Demands			81,440
20,111		Central Government share		21,378	
4,022		Cumbria County Council share		4,276	
16,089		SLDC share		17,102	
(1,350)		Transitional protection payments		(1,182)	
157		NDR Amounts written-off		189	
(25)		Increase / (reduction) in NDR debt Impairment		261	
(1,758)		NDR appeals provision utilised in year		(483)	
1,978		Increase / (reduction) in NDR appeals provision		174	
301		Cost of Collection Allowance		300	
	39,525	Non-Domestic Rates expenditure			42,015
	116,803	TOTAL EXPENDITURE			123,455
	(318)	Council Tax (Surplus)/Deficit for the Year		430	
	(1,051)	NDR (Surplus)/Deficit for the year		(854)	
	(1,369)	TOTAL (SURPLUS) / DEFICIT FOR THE YEAR			(424)
38		SLDC share b/f Council Tax surplus	4	24	
39		Cumbria Police share b/f Council Tax surplus		25	
221		Cumbria County Council share b/f Council Tax surplus		143	
(955)		SLDC share of projected NDR (deficit)/surplus		51	
(1,194)		Central share of projected NDR (deficit)/surplus		64	
(239)		County share of projected NDR (deficit)/surplus		13	
	(2,090)	Total contributions for prior years			320
Ctax	NDR	Fund balance reconciliation		Ctax	NDR
(218)	2,325	(Surplus) / Deficit at 1 April	4	(238)	(1,114)
(20)	(3,439)	Movement in year	4	622	(726)
(238)	(1,114)	(Surplus) / Deficit at 31 March	4	384	(1,840)
	(1,352)	TOTAL (SURPLUS)/DEFICIT AT 31 MARCH			(1,456)

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2018/19
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 this case South Lakeland District Council) 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 £60.300m (£57.478m for 2017/18), Cumbria Police Authority £10.535m (£9.906m for 2017/18) and the Council £10.242m (£9.893m for 2017/18) 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): 45,266 for 2018/19 (44,869 for 2017/18). This basic amount of Council Tax for a Band D property of £1,791.12 (£1,722.26 for 2017/18) 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 2018/19 was calculated on the following basis:

Band	Chargeable Dwellings (net of discounts)	Proportion of Band D Tax	2018/19 Band D Equivalent Dwellings	2017/18 Band D Equivalent Dwellings
A	3,054	6/9	2,036	2,010
B	8,287	7/9	6,445	6,376
C	10,196	8/9	9,063	8,991
D	8,858	9/9	8,858	8,783
E	6,687	11/9	8,173	8,102
F	4,344	13/9	6,274	6,185
G	2,639	15/9	4,398	4,398
H	238	18/9	476	477
All Bands	44,302		45,723	45,322
Allowance for 1% late collection			(457)	(453)
Council Tax Base			45,266	44,869

3. National Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government has specified an amount (rate) of 49.3p for 2018/19 (47.9p for 2017/18). 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 £51,000 pay a reduced rate of 48.0p (46.6p in 2017/18) 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.

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2018/19
NOTES TO THE COLLECTION FUND (G)

The Council is responsible for collecting rates due from the ratepayers in its area, the total Non-Domestic Rateable Value as at 31 March 2019 is £121.1m (£119.9m at 31 March 2018). Mandatory and discretionary reliefs are available, including relief relating to the December 2015 floods.

	2017/18 £000	2018/19 £000
Gross Rates Payable	(54,664)	(57,738)
less:		
Transitional Relief	1,350	1,182
Mandatory Reliefs	11,250	12,402
Discretionary Reliefs	645	421
Unoccupied Property	843	864
Net Rates Payable	(40,576)	(42,869)

From 1 April 2014 South Lakeland District Council (SLDC) joined the Cumbria Non Domestic Rates Pool, administered by Cumbria County Council. Previously SLDC retained the Non Domestic 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 £17.444m (£16.089m for 2017/18) and the share of the 18/19 surplus £51k (£955k deficit for 17/18) is transferred into the General Fund. This is then reduced by a tariff payment £14.774m (£14.343m for 2017/18) 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, although as a member of a pool SLDC does not pay levy to the Government. The Council is also protected to a degree if performance is not as high as expected.

The Non-Domestic Rate income, after reliefs and provisions, was £42.869m (£40.576m for 2017/18)

4. Collection Fund Surplus

Government Regulations prescribe that transactions relating to Council Tax and Non-Domestic Rates (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 2018/19 identified between Council Tax and Non-Domestic Rates.

SOUTH LAKELAND DISTRICT COUNCIL

THE ANNUAL GOVERNANCE STATEMENT 2018/19 (H)

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 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 Council and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 2019 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

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2018/19 (H)

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 was 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. Members and Officers 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 as 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 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/LASAC.

During 2017/18 Internal Audit reviewed the Council's Local Code of Governance. They concluded the Council was compliant with the provisions of the Framework, the adopted methodology was largely compliant with the Guidance, the Council has developed an action plan to address areas where it has assessed that compliance with the Local Code could be improved and, as a result, the Council was seen to have robust procedures in place and the recommendations raised were merely to further streamline the existing procedures. The recommendations were fully implemented during 2018/19.

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

Officers have conducted a detailed review of the Council's governance arrangements against the CIPFA/SOLACE framework Delivering Good Governance in Local Government and the Local Code of Governance. A self-assessment has been undertaken 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.

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2018/19 (H)

Scrutiny Committee self-assessment

The Council operates with one Overview and Scrutiny 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 2018/19 concluded that effective scrutiny was taking place.

Audit Committee self-assessment

The Audit Committee annual report for 2018/19 concluded that it was working effectively, functioning in accordance with best practice and providing independent assurance of the Council's governance arrangements. The Committee will review the AGS at their meeting on 25 July 2019 alongside the Council's audited accounts.

Standards Committee self-assessment

The Standards Committee is currently made up of 7 District Councillors and 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
- Advise 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 2018/19 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 9 April 2019; their opinion was of reasonable assurance that effective risk management, control and governance processes were in place for the 2018/19 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 2017/18 in the Audit Findings Report. The 2018/19 Audit Findings Report is expected to be presented to Audit Committee on 25 July 2019 alongside the Council's audited accounts.

5. Annual Governance Statement Action Plan

The 2017/18 AGS process did not produce any significant governance issues. However, an action plan was produced to capture areas where there was scope for improvement. These included data governance, complaints handling, partnership arrangements and ensuring procurement and 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

**SOUTH LAKELAND DISTRICT COUNCIL
THE ANNUAL GOVERNANCE STATEMENT 2018/19 (H)**

governance issues have been raised through the 2018/19 review. 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.

L Conway

Lawrence Conway
Chief Executive
South Lakeland District Council

Date 16/07/2019

G Archibald

Giles Archibald
Leader
South Lakeland District Council

Date 22/07/2019

Independent auditor's report to the members of South Lakeland District Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

- the Finance Lead Specialist (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Lead Specialist (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Finance Lead Specialist (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Finance Lead Specialist (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities 2018/19 set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Lead Specialist (Section 151 Officer). The Finance Lead Specialist (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Finance Lead Specialist (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance Lead Specialist (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of

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

Gareth Kelly

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

30 July 2019

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