

South Lakeland District Council

# Audited Statement of Accounts & Annual Governance Statement

South Lakeland the best place to live, work and explore



2019/20  
Audited





**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts and Annual Governance Statement 2019/20**

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**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**LAYOUT AND EXPLANATION OF DOCUMENT (A)**

**Overview**

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2019/20, 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 2019/20. 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 one change in accounting policies affecting the 2019/20 Financial Year due to the restructuring of the Council’s operating model, Note 1 shows the impact on the 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 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/August 2020.

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 benefits 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.

My role as the Finance Lead Specialist (Section 151 Officer) is to ensure that the Council's financial affairs are properly administered, and its financial position remains stable and robust. This is essential to ensure that the Council is able to provide quality services to the residents, businesses and visitors of South Lakeland.

The following Statement of Accounts give an overview of the Council's finances for 2019/20. The Council has maintained its strong financial position, which demonstrates once again the high standard of financial management and stewardship of the Council's resources. The Statement of Accounts provides information so that members of the public, including electors and residents of South Lakeland, Council Members, partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Council and the outturn for 2019/20.
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The deadlines for the preparation of the Accounts have been changed for 2019/20. Having considered the impact of the Covid-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which require the draft Accounts to be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020. These Accounts were submitted to the External Auditor on 24 June 2020 in accordance with internal timelines, and significantly ahead of the revised statutory deadline.

The Finance team strives to continuously improve its procedures and processes and we have taken on board the actions recommended by the External Auditor as part of the 2018/19 accounts audit. The recommendation was relatively minor in nature and has been adopted by the Council during the year. The Finance team provides a high quality financial management service for the Council. In addition to the preparation of the Statement of Accounts, a key task is financial planning over a five year medium term timescale. Alongside budget preparation, performance management and reporting, the ability to look strategically beyond the current budget period is crucial to supporting the Council's capabilities, resilience and long-term financial sustainability. Given the current level of uncertainty around future Government funding, the unknown impact of Brexit, the impact of Covid-19 and the widespread pressures on revenue budgets, it is more important than ever that we have a thorough understanding of our financial outlook and are planning effectively for the future.

The 2020/21 budget along with the MTFP financial projections were presented for approval at the Full Council meeting on 26 February 2020. The report advised Members of the key financial challenges and issues which will be faced by the Council over the forecast period and set out the revenue budget proposals for 2020/21 together with updated budget gap estimates for the period 2021/22 to 2024/25. The budget and future year's estimates were of course prepared before the impact of the Covid-19 pandemic. Although the impact on the 2019/20 financial year has been limited, the pandemic sets the scene for future financial years and places additional strain on the budget for 2020/21. The effect on both the local and national economy cannot yet be determined with any accuracy however the pandemic will have a significant impact on the Council's resources, in terms of increased expenditure and especially lost income.



# SOUTH LAKELAND DISTRICT COUNCIL

## Statement of Accounts 2019/20

### NARRATIVE REPORT (B)

The following Narrative Report is an important part of the accounts and provides information about South Lakeland, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2020.

#### 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 103,700, 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 2019/20 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 2019/20, the Council ran one main Overview and Scrutiny Committee consisting of twelve councillors which met quarterly to consider performance and portfolio reports and the draft Council Budget. A number of other committees deal with specific areas of council business including: Planning, Licensing, Audit, Human Resources, Lake Administration 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.

From 1 April 2019 the Council appointed a new Leadership team, 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 and 1 January 2020 and the diagram below shows the Leadership team at 31 March 2020:

#### Leadership Structure



Our responsibilities include: town and country planning, housing and homelessness, environmental health, Council Tax and Non-Domestic Rates collection, refuse collection, street cleansing, licensing and off street parking. The law requires us to provide some services but we decide the amount of resources given to these depending on the level of need or risk they present. We keep a balance between essential services and the other services the district's people and businesses need.

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Discretionary services currently provided include economic development, recreation and leisure, grants to voluntary organisations, parks and play areas.

The Council had 385 staff at 31 March 2020 and 353 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.

#### **Priorities and Policies**

The Council Plan for 2019-24 was approved in February 2019. The Council updated its vision to add the words “*working together*” to reflect that we cannot achieve our ambition alone, and that we work with partners to deliver on our vision and ambitions. The vision, as stated in the revised Council Plan is “*Working together to make South Lakeland the best place to live, work and explore.*” To achieve the vision the Council’s areas of focus are:

- Creating an environment for people to thrive
- Delivering excellent value-for-money, services
- Playing a leading role and influencing others
- Empowering customers and communities
- Forward thinking, innovative Council

As with the previous versions, the Council Plan retains the values:

- 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 Plan sets out the challenges and opportunities that the district faces in the short, medium and long term:

- South Lakeland’s demography
- Personal Financial resilience
- Affordable housing
- Sustainability
- Rise in obesity levels and inactivity
- Access to better training and development, and
- Education and skills.

In order to meet the challenges and maximise opportunities the Council Plan sets out the delivery of the vision by:

- Working across boundaries to deliver to communities
- Creating the right balance across different age groups
- Reducing inequalities so that no one is left behind, and
- Creating a sustainable and inclusive economy.

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.

A key priority for the Council is to deliver 1,000 new affordable homes to rent by 2025. Since 2014, 498 new affordable homes to rent have been built and we remain on target to achieve this.

Quarterly reports are produced on performance which set out the Council Plan Priorities and Measures of Success. Overall the measures showed very good performance during 2019/20 and demonstrated that South Lakeland was a very desirable place to live, work and explore. However, in line with the national trend and the influence of Covid-10, the number of homeless households living in temporary accommodation was increasing and there were increases in the numbers of households



# **SOUTH LAKELAND DISTRICT COUNCIL**

## **Statement of Accounts 2019/20**

### **NARRATIVE REPORT (B)**

using food banks and levels of alcohol addiction. South Lakeland District Council's vision and strategy was to improve prosperity, ensuring a positive benefit for the community.

A policy on Climate Change was passed by Council in February 2019 which is looking at new ways of making energy savings, efficiencies and moving to carbon neutrality. During 2019/20 a biodiversity policy was prepared and approved in February 2020. The policy seeks to maximise the ways in which the Council could use its direct and indirect influence to ensure that the impact of human activity within South Lakeland on Biodiversity is as positive as it could be.

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.

Following its approval in March 2019 the Council has adopted the Cumbria Public Health Strategy of 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, social and economic wellbeing 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 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 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 Property and Land Management Strategy 2019-2024 following a property asset review in 2017 which guides decisions around asset management.

Covid-19 has had a significant Impact on the use of most of the Council's assets, for example car parks have been virtually empty, leisure centres and play areas closed and the majority of staff working from home leaving the main Council offices virtually empty. However additional refuse vehicles have been utilised to maintain services and maintain social distancing for staff.

#### **Financial Resources overview**

The Council balanced the budget for 2019/20 by protecting front-line services and key ongoing projects and setting a savings target of £740,000 for the Customer Connect programme. This year's budget included growth proposals to enhance the business support programme and to support carbon reduction schemes. Additions to the capital programme included the replacement of Ulverston Leisure Centre, refurbishment of the main Council offices at South Lakeland House and Kendal Town Hall, a loan scheme for housing associations and provision of additional homelessness accommodation for families. 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 continues to deliver its vision via sustainable and cost effective services. The Council's net revenue service budget for 2019/20 totalled £19.0m. Efficiencies totalling £740k were included in

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the 2019/20 budget, increasing to £1.55m for 2020/21 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 (£10m in 2019/20) followed by retained business rates (£5.4 m in 2019/20) and income from car parking (circa £4.6m). The Council also generates over £1m of gross income from Lake Windermere.

This narrative review and Statement set out in more detail the financial performance and position for 2019/20 as well as more information around the future financial plan. Together, these demonstrate that the Council was in a strong, sustainable position to continue delivering the Council Plan priorities prior to the impact of Covid-19.

## **2019/20 FINANCIAL PERFORMANCE**

### **Revenue: Summary**

The table below summarises the actual out-turn position against the budget. This shows that net service expenditure was £0.7m less than expected in budgets. When the impact of the carry forward amounts are taken into account there is an overspend of £0.5m on the General Fund services for the year. The details of the service spend and requests for carry forward of budget were presented to Cabinet on 24 June 2020.

#### **Summary of financial performance:**

	<b>Budget</b>	<b>Actual (EFA column i)</b>	<b>Overall Variance</b>	<b>Carry forward amount</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Case Management	2,709	2,383	(326)	30
Customer and Locality	2,493	2,440	(53)	0
Delivery and Commercial	4,204	4,920	716	85
Specialist Services	1,290	1,550	260	118
Strategy Innovation and Resources	8,334	7,008	(1,326)	973
<b>Total services</b>	<b>19,030</b>	<b>18,301</b>	<b>(729)</b>	<b>1,206</b>
Corporate items	(19,030)	(18,301)	729	0
<b>Total General Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,206</b>

### **Revenue: Cost of Services**

The full details of service variances will be reported through the out-turn report to Cabinet on 24 June 2020 and Council on 30 June 2020. The largest single elements of this relate to:

#### **Case Management:**

- Salary underspends due to various vacant posts in old structure £190k
- Homelessness prevention £93k, of which £30k is to be carried forward to assist with the costs of emergency accommodation relating to Covid-19

#### **Customer and Locality Services:**

- Salary underspends due to various vacant posts in old and new structures £25k

#### **Delivery and Commercial Services:**

- Caravan Site: £83k net overspend, due to lower than budgeted income. This is mainly due to the delayed completion of the extension of the caravan site and the timing of the expiry of the management contract and retender exercise.
- Car Parking: £59k overall net overspend, due to lower than expected income. This includes a projected loss of £110k in March due to Covid-19.
- Additional net costs relating to the running of Town View Fields hostel £78k.

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- Kerbside recycling: £81k overall net overspend excluding employee costs, due to a combination of reduced income from sale of recycling materials due to low demand and price. In addition there is an overspend of £206k on employees, including additional contract and agency staff of £133k and to £72k where the vacancy target could not be met. Both the vacancy target and the estimated income from sale of recyclables have been reduced for 2020/21.

**Specialist Services:**

- Cost of Collection on Council Tax and NNDR: net overspend of £66k, mainly due to a reduction in income from charging costs. This is mainly due to delayed recovery action following conversion to new software and the absence of a key member of staff. Overall the Council was due to collect £43m of NNDR and £81m of Council tax during 2019/20.
- Rent Allowances: £166k net overspend due to write off of older debts and a reduction in Government grant for administration costs.

**Strategy, Innovation and Resources:**

- Savings relating to the Council's insurance costs following a re-tender exercise of £188k while the level of cover was slightly increased.
- Local Plan: net underspend of £103k, mainly due to lower than budgeted use of consultants as a result of re-profiling of activity related to the refresh of the local plan, of which £24k will be carried forward to be spent in 2020/21
- Additional one-off grants of £53k, of which £35k relating to Covid-19 will be carried forward to be spend in 2020/21 £923k underspend relating to Customer Connect due to delayed work, of which £440k relates to IT hardware, £150k for software, £96k for salaries, £140k for training and £57k on consultancy. £876k will be carried forward to be spend in 2020/21.
- £35k underspend on unclaimed members allowances, which will be transferred to the Personal Financial Resilience reserve.

**Revenue: Corporate items**

Corporate items overall had a net overspend of £0.8m.

This is mostly due to:

- The Council retains a share of income from business rates (properly known as National Non-Domestic Rates or NNDR). The amount retained has increased, mainly due to a reduction in the provision for appeals and changes in Small Business Rate Relief and how this is funded by Government. The Council joined a Cumbria Business Rates pool from 1 April 2014 which aimed to reduce NNDR levy paid to the Government under the new process. The actual saving due to the Council as a result of the pool for 2019/20 was £1.1m.
- Slightly higher than budgeted contributions to capital programme mainly due to timing of capital expenditure originally budgeted in 2018/19.
- Transfers to and from reserves, mainly relating to differences in timing between the recognition of income and expenditure between years.

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:

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**Extract from EFA**

	Net Expenditure Chargeable to the General Fund  (iii) £000
Case Management	2,133
Customer and Locality	1,630
Delivery and Commercial	2,436
Specialist Services	1,009
Strategy Innovation and Resources	6,828
<b>Net cost of Services</b>	<b>14,036</b>
Other income and expenditure	(13,185)
<b>Surplus/Deficit on Provision of Services</b>	<b>851</b>
 <b>Opening General Fund Balances</b>	 <b>(16,404)</b>
Surplus/Deficit (-/+)	851
<b>Closing General Fund Balances</b>	<b>(15,553)</b>

This shows that general fund revenue balances decreased by £851k in the year. This mainly relates to:

Contributions into Reserves

- £1,089k into the Non Domestic Rate Pool, mainly due to grant on Small Business Rate Relief
- £430k of budgeted contributions

Less Contributions from Reserves

- £995k support for the Capital programme
- £1,133k to fund Customer Connect set-up costs

Overall the General Fund had a net overspend of £115 k for 2019/20 once the £740k of target savings from Customer Connect were met. This includes a number of additional costs relating to Covid-19 in March 2020, the largest of which was a reduction of £110k in car park income. Without the impact of Covid-19 there would have been a small underspend, as projected as part of the 2019/20 Q3 revenue monitoring.

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 2019/20 is summarised below:

<b>Capital Spending</b>	<b>£000</b>
Vehicles	320
Car Parks	765
Play Areas	690
New Road Common	0
IT equipment and software	299
Nobles Rest	0
Leisure Centres	0
Braithwaite Fold	224
Other (under £100,000)	170
<b>Total</b>	<b>2,468</b>

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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 2019/20 were as follows:

	<b>2019/20</b>
<b>REFCUS</b>	<b>£000</b>
Community Housing Fund	144
Affordable housing grants	40
Disabled Facilities Grants	669
Locally Important Projects	217
Burton Heritage Scheme	212
Right to Buy replacement	248
Other (under £100,000)	31
<b>Total</b>	<b><u>1,561</u></b>

The capital programme was funded as follows:

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

The total capital spend of £4.0m in 2019/20 compares to the total budget of £7.2m approved in the latest up-dated capital programme in February 2020. There were no material underspends within the programme and variances of £3.2m were approved for re-profiling into 2020/21 at Cabinet on 20 May 2020. 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.

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 have been largely reliant on partnership working and so there is less direct control over timing of spend. The influence of this reliance on partners is likely to reduce as the capital programme for the next 5 years has higher proportion of significant schemes for Council assets, including the refurbishment of South Lakeland House/Kendal Town Hall and the refurbishment of Grange Lido.

#### **2019/20 FINANCIAL POSITION**

##### **Changes to the Balance Sheet**

Overall the Balance Sheet shows an increase in the net worth of the Council of £5.9m. The major movements from 31 March 2019 to 31 March 2020 are described below.

##### **Investments, cash, creditors and debtors**

The net current asset (including short term borrowing and grant receipts in advance) balance has increased by £2,154k in the year from net assets of £18.876m to net assets of £21.030m. There are a number of reasons for this change with two worthy of mention – an increase in short term creditors of £7.8m and an increase in cash and cash equivalents of £7.3m. These increases are linked: the Government paid local authorities the 2020/21 grants to offset reliefs on business rates March 2020 to assist with potential Covid-19 related cash flow problems (£4.2m for SLDC) and Highways England paid

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£2.8m of grant for a new roundabout at Cross-a-Moor near Ulverston in March 2020, to be held in a separate account and to be used to fund the scheme in 2020/21.

#### **Non-current assets**

Non-current assets (including Assets Held for Sale) have increased in year by £0.95m. This is explained by £2.47m of capital additions, £1.55m of revaluations, less £3.04m of depreciation and £0.02m of disposals. The capital additions are shown above. Reviews of the values of property assets are carried out regularly by qualified valuers, as detailed in notes 18-23. Due to the impact of Covid-19 there is particular uncertainty around the value of assets, particularly those such as car parks where the value is based on current and future income projections. At the current time, it is not possible to accurately predict the impact of Covid-19 on the economy. Therefore values have been based on the situation prior to Covid-19, on the assumption that values will return to previous levels. Although the value of assets on the balance sheet could potentially reduce, this would have no overall impact on the financial viability of the Council but may make some future capital schemes uneconomic.

If the ability to use properties classified as investment properties has been limited it may have an impact on both the value and the potential rental income from these properties. The Council owns and has previously purchased properties that are now classified as investments. These properties were purchased for economic development reasons, to provide employment opportunities in areas where the market had failed to do so and are now classified as investment properties: all these properties are within the boundaries of the district. The Council continues to hold 25 investment properties with a fair value of £4.185m. After expenses the Council earned £0.348m in income, creating a return on investment of 8.32% overall down from 8.85% in 2018/19.

#### **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 decreased by £1.6m with the liability in the top half of the balance sheet at £36.3m. A review of note 35 shows that this balance is quite volatile year on year and the 2019/20 decrease partially offsets a large increase 2018/19. 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.

#### **Significant Provisions**

Amounts set aside for credit loss allowances are maintained at prudent levels, adjusted for local knowledge. The total amount at 31 March 2020 was £2.06m, up from £1.77m at 31 March 2019 and are netted off the debtors amounts. While the majority of the increase reflects the balances outstanding at 31 March 2020, the Council has considered the potential impact of Covid-19 on the ability of debtors to meet their liabilities.

The only specific provision in 2019/20 was for Non Domestic Rates appeals, the Council's share of which has reduced from £853k to £488k. 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 and the lower than expected number of appeals under the check, challenge, appeal process introduced in April 2017.

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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 £396k which left a cumulative deficit of £780k. The Non Domestic Rates account made a surplus of £698k resulting in a cumulative surplus of £2.54m. 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 2020/21, the Council's share of the Non Domestic Rates surplus being £1.02m (40% of £2.54m). 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 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 £1,089k being set aside into the Non-Domestic Rate Pool reserve in 2019/20 to support future economic development in the District.

#### **Council Tax**

The Council increased the 2019/20 Band D 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 £7.32m over the year. This is predominantly due to the receipt of large payments from MHCLG (£4.19m) and Highways England (£2.88m) in late March 2020 where the monies are earmarked for specific purposes, expected to be spend during 2020/21 and are repayable if not used for their intended purpose. Otherwise, these balances largely reflect the usable reserves that the authority holds. The 2020/21 budget includes plans to contribute £2.15m to reserves, mainly relating to the business rate pool and government grants in 2020/21 which were not expected. Carry forwards on revenue of £1.206m and re-profiling of capital of £3.2m are expected to utilise resources which had been set aside in 2019/20. In total this could potentially reduce reserves and the matching cash/investments by £2.3m 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 had 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 2019/20 is available via the Cabinet 20 May 2020 agenda on the Council's website. Key areas are as follows:

#### **Economy**

Estimates show that the Council was on target to achieve 1,000 new jobs in the area by 2025. Since April 2014 an estimated 629 new jobs have been created in South Lakeland including 81 in 2019/20. Between 2015 and 2025, we will have enabled, with the private sector, the rise of higher paid jobs and a year-on-year increase in the current median household income from £31,189 for people who live in South Lakeland in 2016 to £33,946 in February 2020, the highest increase for Cumbria Districts. In February 2020 South Lakeland had 88.8 business start-ups per 10,000 working age residents, again the highest level in Cumbria. 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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As a result of Covid-19, whilst South Lakeland has a very high increase between March 2020 and May 2020 in claimant count for job seekers allowance and universal credit (searching for work category) of 286%, one of the highest in the UK, this is from a very low base (from 665 or 1.1% in March 2020 to 2,570 or 4.3% in May 2020) and unemployment remains the lowest in the County and below national averages. The impact of the end of the Covid-19 furlough scheme has yet to be seen.

#### **Environment and Health**

The Council had set a target that by 2019, the amount of household waste reused or recycled will increase to 50%. The actual recycling rate for 2019/20 was 45%, a slight increase from the level in 2018/19 of 44.3%. Green waste influences this result significantly. This is because green waste is produced in large quantities and contributes to significant tonnages compared to lighter plastic and cardboard. If the Council were able to collect food waste this would make the target of 50% much more achievable. However food processing plants are currently too distant from South Lakeland to make this viable. Plastic and cardboard kerbside collection covers 100% of households.

#### **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 from 1,371 crimes in Q4 2018 to 1,414 in Q4 of 2019, the second lowest level of overall crime by district in Cumbria and well below the national levels of all types of crime.

Public Health England (PHE) report that average life expectancy in South Lakeland is 81.9 years for males and 84.7 years for females; both significantly higher than the national average. The district also has better rates than the national average in relation to: under 75 mortality rates from all causes; under 75 mortality rates from all cardiovascular diseases; under 75 mortality rates from cancer; emergency hospital admissions for intentional self-harm; admission episodes for alcohol-related conditions; smoking in adults; physically active adults; overweight or obese adults; year 6 pupil obesity; hospital admissions for violence; new STI diagnoses and TB incidences. However the district performs worse than the national average in relation to: killed and seriously injured (KSI) road casualties; estimated diabetes diagnosis; and admission episodes for alcohol-specific conditions in under 18s.

6.9% of children in South Lakeland live in low income families. While this is lower than the national average (17%), there are some wards in the district where levels of child poverty are closer to or higher than the national average; with 18.9% of children in low income families in Kendal Underley ward. While no communities in South Lakeland fall within the 10% most overall deprived areas in England, three communities in South Lakeland fall within the 40% most deprived of areas nationally; these communities are located within Kendal Kirkland, Ulverston East, and Kendal Far Cross wards. Generally it is in the more deprived areas that unemployment and crime rates are higher, while household incomes and educational attainment are lower and health outcomes can be poor. Inversely, South Lakeland has six communities that are classified as being in the 10% least deprived nationally Ulverston West, Kendal Heron Hill, Burton & Holme, Arnside & Beetham, Kendal Parks and Kendal Glebelands wards.

#### **Housing**

A cumulative total of 498 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 53,486 in 2019/20 (53,281 in 2018/19). The number of long term empty homes fluctuates, however there has been an overall reduction from 1,079 (2011) to 980 (2019) The total number of long term empty homes fluctuate as homes are brought back into use - and as properties become empty.

During 2019/20 the number of homeless households living in temporary accommodation increased from 21 in Q1 to 27 by Q4. The rise is due to the increase in cases presenting during the Covid-19 pandemic. This trend is likely to continue into Q1 2020/21. The main reasons for homelessness are: the reduced benefits for people of age under 35 years; high rents and loss of private sector tenancy; lack of affordable housing; family relationship breakdowns with young adults leaving home –

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sometimes leaving home due to abuse. The implementation of the Homelessness Reduction Act in April 2018 has also influenced results and this is reflected both regionally and nationally.

#### Outlook: Council Plan 2019 refresh and Medium Term Financial Plan

The Finance team produces on an annual basis, a Medium Term Financial Plan (MTFP) which helps to bring together all known factors affecting the Council's financial position and its financial sustainability. The MTFP is as wide ranging as possible and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council Plan, service objectives and policies with the constraints in resources. This in turn forms the basis for decision making and the production of the revenue budget.

The review above, of the Council's financial and operational performance and position, demonstrates that the organisation was in good shape to face future challenges before the impact of Covid-19. 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 75% retention of Non Domestic Rates was planned for 2020/21, although this has now been delayed until at least April 2022. 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 £0.6m per year.

There are still uncertainties around the potential impact on the Council of the UK's departure from the European Union. This has not been included in the figures within the accounts or the projections.

A balanced budget position was set for 2020/21. Current estimates for future years project deficits of around £0.650m each year from 2020/21, all of which relates to reduced funding assumptions. The Government has now announced that the planned restructuring of Council funding has been delayed until at least April 2022 although there may be some reallocation of business rates income during 2021/22. The projections include the savings from the staffing changes relating to the Customer Connect programme. Further savings are expected through the generation of efficiencies through improved use of technology.

The table below shows the revised projections from February 2020 before the impact of Covid-19 was anticipated.

<b>Summary Medium Term Financial Plan, February 2020</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
Service expenditure	23,506.2	23,201.9	23,500.5	23,689.4	24,304.6
Service income	(12,554.8)	(12,412.5)	(12,720.7)	(12,882.2)	(13,133.8)
<b>Net Service Budget</b>	<b>10,951.4</b>	<b>10,789.4</b>	<b>10,779.8</b>	<b>10,807.2</b>	<b>11,170.8</b>
Net Interest Payable	586.9	928.5	1,022.1	1,074.7	1,132.6
Income from Council Tax (net of Parish Precept)	(8,944.3)	(9,309.2)	(9,591.4)	(9,876.1)	(10,163.3)
Retained Business Rates	(5,512.8)	(2,977.8)	(2,541.8)	(2,107.2)	(1,672.0)
Contribution to pool Reserve	947.9	0.0	0.0	0.0	0.0
Other Government Grants	(433.0)	0.0	0.0	0.0	0.0
Direct Revenue Financing of Capital Programme	413.0	113.0	84.0	63.0	40.0
Minimum Revenue Provision	784.7	1,250.4	1,357.0	1,552.8	1,675.1
Transfers to/from Reserves	1,206.3	261.0	334.3	332.2	390.1
<b>Net Projected Deficit (Surplus) February 2020</b>	<b>0.0</b>	<b>1,055.3</b>	<b>1,444.0</b>	<b>1,846.6</b>	<b>2,573.3</b>

Since April 2020 the Finance team have been working with colleagues both within the Council and elsewhere in Cumbria and nationally to identify the potential impact of Covid-19 on the Council's finances. The Council has seen some additional costs but the greater impact has been due to lost income, particularly from car parking fees. The estimated financial impact for 2020/21 is around £3m of which £1.08m has been funded by additional Government grant. Cabinet on 20 May 2020 considered a report detailing the impact to date and the projected impact for 2020/21, with a slightly revised summary included in the Outturn report to be considered by Cabinet on 24 June 2020 and

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Council on 30 June 2020. The report requests approval to use £2m of the Council's General Reserve to offset the projected costs, as summarised below:

	<b>Approved Budget February 2020</b>	<b>Budget Amendment Covid-19</b>	<b>Carry Forwards</b>	<b>Amended Budget June 2020</b>
Description	£000	£000	£000	£000
Employee Costs	13,737.3	135.0	242.6	14,114.9
Running Costs	9,768.9	79,335.0	963.5	90,067.4
Capital Charges	11,795.6	0.0	0.0	11,795.6
<b>Total Service Expenditure</b>	<b>35,301.8</b>	<b>79,470.0</b>	<b>1,206.1</b>	<b>115,977.9</b>
Car Parking Income	(4,609.7)	1,152.0	0	(3,457.7)
Contributions from other Local Authorities and Public Bodies	(16.7)	(20.0)	0	(36.7)
General Income	(3,990.6)	960.0	0	(3,030.6)
Government Grants	(669.1)	(79,703.5)	0	(80,372.6)
New Homes Bonus	(338.0)	0.0	0	(338.0)
Lake Income	(1,492.6)	38.0	0	(1,454.6)
Recycling Credits	(1,438.1)	130.0	0	(1,308.1)
<b>Total Service Income</b>	<b>(12,554.8)</b>	<b>(77,443.5)</b>	<b>0.0</b>	<b>(89,998.3)</b>
<b>Net Service Budget</b>	<b>22,747.0</b>	<b>2,026.5</b>	<b>1,206.1</b>	<b>25,979.6</b>
Total Corporate Items	(22,747.0)	0.0	(1,206.1)	(23,953.1)
<b>Net Surplus/Deficit before use of reserves</b>	<b>(0.0)</b>	<b>2,026.5</b>	<b>0.0</b>	<b>2,026.5</b>
<b>Use of General Reserve to meet costs of Covid-19</b>	<b>0.0</b>	<b>(2,026.5)</b>	<b>0</b>	<b>(2,026.5)</b>

The Council's working balance at 1 April 2019 was £1.5m. Working balances are used to help cushion the organisation against uneven cash-flows and avoid unnecessary borrowing. The Council also holds a General Reserve of monies set aside to form a buffer against future financial risks in the medium term and to enable the Council to progress major organisational and transformational changes by providing resources to fund the initial costs of these developments. The table below summarises the elements which contribute to how the appropriate level of reserve was calculated

<b>Potential Risk</b>	<b>£000</b>
Potential Additional Costs (excluding pay)	668
Pay, vacancies and pensions	237
Savings not achieved	651
Changes to existing government funding regimes	1,990
Other Loss of Income	498
Risk Management	500
Emergency Contingency	1,000
<b>Recommended Risk Base Reserve Balances</b>	<b>5,544</b>

This recommended risk-based reserve balance is then compared to the projected balance on reserves to assess if the overall level of general reserve is appropriate. At February 2020 the projected level of general reserves were:

<b>Projected Level of Reserves at March 2021</b>	<b>£000</b>
- General Fund Working Balance	1,500
- General Reserve	4,589
<b>Projected Level of Reserves (General Fund )</b>	<b>6,089</b>

This calculation suggested at the time that the overall projected balance on general reserves was slightly higher than necessary. The risk assessment did not factor in the potential of a national lock-down due to pandemic. The current forecast, adjusted for outturn, shows that general fund reserves

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will fall below the recommended minimum level based on the following scenario, with the Working Balance being completely depleted. Further savings will be required throughout the Medium Term Financial Plan period in order to balance the budget and rebuild reserves.

The Council holds a number of other reserves for various reasons, including funding capital expenditure or specific projects. The estimated balance on all reserves, as approved by Council in February 2020, were:

	<b>31/03/2019</b>	<b>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Reserves	(7,710)	(4,807)	(5,011)
Capital Reserves	(2,661)	(1,528)	(69)
Earmarked Reserves	(4,535)	(5,183)	(5,192)
<b>Total Reserves</b>	<b>(14,906)</b>	<b>(11,517)</b>	<b>(10,272)</b>
Working Balance	(1,500)	(1,500)	(1,500)
<b>Total Reserves and Working Balance</b>	<b>(16,406)</b>	<b>(13,017)</b>	<b>(11,772)</b>

At the moment it is not considered necessary to consider using these reserves to balance the revenue budget. This may become necessary if the impact is greater than modelled above.

Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer, in consultation with the Council's Monitoring Officer, to report to all the authority's members if there is, or is likely to be, an unbalanced budget. In practice, this is most likely to be required in a situation in which reserves have become depleted and it is forecast that the council will not have the resources to meet its expenditure in a particular financial year. A full council meeting must then take place within 21 days to consider the notice. In the meantime, no new agreements involving spending can be entered into. Section 114 notices are normally very rare. At the moment, as Section 151 Officer, I feel that it is unlikely the Council will need to issue a Section 114 notice based on the Council's expenditure to date, the current rate of income loss, the level of reserves and the Government funding to date. Ministers are aware of the seriousness of the impact of the pandemic on local government finances and have temporarily amended the process for a Section 114 notice to require a discussion of matters with Ministers as soon as possible.

Staff will continue to monitor the impact. Discussions are continuing with MHCLG around potential additional funding to offset the net impact and the MTFP will be updated regularly during 2020/21 as projections develop.

The capital programme approved in February 2020 is summarised below:

<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
<b>Revised</b>						<b>2019/20 to</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
7,128.8	18,874.7	15,951.4	5,169.1	2,822.0	2,983.0	<b>52,929.0</b>

Around £13m 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 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 as part of a £6.0m enhancement scheme in Grange-over-Sands.

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Around £8m 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.

There is particular uncertainty over the delivery of the 2020/21 capital programme due to the impact of Covid-19, the table below summarises the current status of the main capital programme schemes:

Project	£000	Comments
Grange Lido, Grange Prom and Coastal Communities Fund (includes £1.1 million for Grange Promenade)	5,107.2	Tender closes July 2020: extension to funding deadline requested
Kendal Town Hall/South Lakeland House	3,789.9	Work on site expected to commence July 2020
Housing Investment Fund: Loans to Housing Associations	3,000.0	Agreement to be signed. Revise in light of development programmes moving forward post lockdown.
ERDF funded flood defence works	2,670.0	Some delay expected to works programme: extension to funding deadline requested from MHCLG
Vehicle & Plant Programme (inc bins and boxes)	2,346.0	Some delay due to vehicle manufacturers being closed.
Disabled Facilities Grants	661.0	Internal works on hold - mainly working on properties of vulnerable people who have been advised to shield
Affordable & Empty Homes, Town Centre Properties.	260.0	No outstanding commitments
New Ulverston Leisure Centre	250.0	On hold. Recommence when we have clearer view of the impact of Covid-19 on leisure provision.
Homeless Accommodation for Families	230.7	Works were stopped on site at Grange until lockdown restrictions eased
Grange Regeneration	157.3	Tender closes July 2020: extension to funding deadline requested
Schemes below £100K	402.6	Procurement, tenders still progressing.
<b>Total Capital Programme</b>	<b>18,874.7</b>	

Although there were a small number of capital projects in progress at 31 March 2020 where there has been a pause in delivery during 2020 the work is expected to continue in all cases.

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. 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.

### **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 2020 there were ten significant strategic risks which are monitored and reported on a quarterly basis and which were above the level of tolerance:

- Impact of the Welfare Reform on communities: the Council mitigates as far as possible against the impacts of welfare reform. Risk that welfare reform results in significant changes to taxes and benefits - impacting on low-income tenants and social landlords. With transfer to Universal Credit widely reported impacts on claimants across England. Central Government monitor impacts and make adjustments. The current risk position is proportionate for South Lakeland. The Council has in place many mitigations to reduce poverty and to alleviate

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against universal credit impacts. This risk has increased due to the Covid-19 Pandemic and mitigations have been expanded to cover Covid-19 impacts.

- Medium Term Financial Planning – delivery of a balanced budget. Risk that current and future years proposed budget reductions (expenditure and income) are not achieved. Future year's budget reductions (expenditure or income) are not identified. Significant existing income sources are not protected or effectively managed. Income from Central Government is reduced above the current assumptions. NDR income assumptions are not achieved. Other key factors are Spending Review, Business Rates Retention, Fair Funding Review and Local Government Finance Settlement. The Coronavirus pandemic presents significant income and expenditure challenges.
- Essential strategic partnerships required to deliver the Council Plan do not operate effectively: where necessary robust agreements are needed with opportunities and resource implications identified. The introduction of NHS Sustainability and Transformation Plans (STPs) and the movement of South Cumbria CCG's into Lancashire/Morecambe Bay in April 2017 required new strategic partnerships to be formed with these groups to ensure communities gain maximum benefit. This risk applies to all strategic partnerships - eg Local Enterprise Partnership (LEP), CCC, LDNPA and Morecambe Bay Economic Partnership. The risk is not specific to any one initiative or approach from partners, rather their strategic direction and policies and correlation with South Lakeland Council Plan.
- Impact of new projects and initiatives on existing Council Plan priorities: there is a risk that new projects and initiatives take the resources required by other projects and initiatives currently in the programme.
- Unintended impacts of efficiencies and service changes: new efficiencies and changes brought about by one service or organisation can have unintended negative impacts on another service – especially if proposals are not consulted on until too late in the process. Impacts can increase cost of running services.
- Business Continuity: Flu Pandemic - Loss of people, skills and supply chain disruption. Flu Pandemic is listed alongside the top risks in the Cumbria Community Risk Register. Covid-19 global pandemic: the Council is following Government guidelines and working with Cumbria Local Resilience Forum to safeguard the public. The Council has implemented unprecedented Business Continuity arrangements to maintain all essential services – and also to undertake activities outside its normal remit.
- Capacity for Business as Usual during the transition to the new organisational model. Risk that vacancies are not filled for roles which are essential for running the organisation and meeting the health and welfare needs of the public. Potential impact on business whilst moving through transition to learn new processes, behaviours etc.
- Accountable Body for large value schemes The Council acting as 'Accountable Body' for large value grant aided schemes. 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 could lead to a reduction, suspension, withholding or repayment of grant. The current capital programme contains £5.3m of ERDF flood scheme with a further £2.3m of Coastal Communities Fund, £2.9m for the Cross-a-Moor junction improvement scheme and Cumbria Choice Based Lettings. Also £75m of business rate grants related to Covid-19.
- Strategic documents may no longer meet post pandemic needs. Strategic documents include for example the Local Plan and Council Plan. Change in circumstance increases uncertainty in what the Local Plan needs to address. New statistics show population increase with implications for affordable housing delivery and the Housing Strategy. This risk is due to the Covid-19 Pandemic.
- Significant Contracts: there is a potential risk for service provision due to the economic impacts of Covid-19. There is also the potential for budget implications.

In addition there are seven risks which are monitored quarterly but are below the level of tolerance:

- Affordable housing targets are not met
- Information Management is not effective
- The infrastructure required to deliver the Council Plan priorities is not provided.

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- Customer Connect Programme: Customer Connect requires a significant change to ways of working. Challenges for the programme include scope and ambition, staff resources and capacity, skills and workforce planning, buy in from customers and training and development for staff and Councillors.
- Waste Collection – Reversing Manoeuvres
- Cyber Security incident
- Potential reduction in income from the disposal of recyclable materials as a consequence of market changes.

**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.

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

The Council has been collaborating with Barrow Borough Council and Lancaster City Council to develop a growth deal proposal for the functioning economic area around Morecambe Bay and which we refer to as the Lancaster and South Cumbria Economic Region. The purpose is to stimulate greater economic success and prosperity for local businesses and residents. A Joint Committee is to be established during 2020 to formalise arrangements between the three Councils..

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 (£1,380,000) but consideration has also been given 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, despite the impact of the Covid-19 pandemic, is in a fair financial position to continue delivering against the Council Plan priorities. Excluding the impact of Covid-19 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 2019/20 was good with the Council's balance sheet ending the period in a strong position.



**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**NARRATIVE REPORT (B)**

The Council recognises the uncertainty over future funding and the impact of Covid-19 as a result of which savings and efficiencies 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 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.

**Acknowledgements**

Working to the enhanced final accounts deadlines for many years and consistently delivering the Council's Statement of Accounts to a high standard, as acknowledged by our External Auditor in previous years, is only possible because of the hard work and dedication of the staff in the Finance Service. This year has been especially challenging as all members of the Finance team have had to work from home as a result of the national lockdown which coincided with the end of the financial year and the critical time for finalising the Statement of Accounts. Many of them have also taken on new roles during the year and completing year-end tasks for the first time. However, the preparatory work up to the year-end stood us in good stead and the team ethos has remained strong, with all members of staff working together to deliver the best possible outcomes.

I would like to express my gratitude to all colleagues, from the Finance team and other services across the Council, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

**Helen Smith**

**Finance Lead Specialist (Section 151 Officer)**

## **SOUTH LAKELAND DISTRICT COUNCIL STATEMENT OF RESPONSIBILITIES 2019/20 (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 2019/20

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 2020 and its income and expenditure for the year ended 31 March 2020

Helen Smith

Date 27 November 2020

**Finance Lead Specialist (Section 151 Officer)**

# **SOUTH LAKELAND DISTRICT COUNCIL**

## **Statement of Accounts 2019/20**

### **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 2019/20 (The Code)**. 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 index to the notes to the accounts. A full index of Policies follows.

#### **GENERAL PRINCIPLES**

Policy 1	Fundamental Accounting Concepts
Policy 2	Estimation and Prior Year Errors
Policy 3	Post Balance Sheet Events

#### **OTHER**

Policy 4	Revenue and Expenditure Recognition
Policy 5	Costs of Support Services
Policy 6	VAT

#### **MOVEMENT IN RESERVES**

Policy 7	Reserves
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#### **COMPREHENSIVE INCOME AND EXPENDITURE**

Policy 8	Employee Benefits
Policy 9	External Interest
Policy 10	Revenue Grants and Contributions
Policy 11	Charges to the Comprehensive Income and Expenditure Statement for the Use of Non-current Assets
Policy 12	Revenue Expenditure Funded from Capital Under Statute

#### **BALANCE SHEET**

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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

Policy 27      Contingent Liabilities

**COLLECTION FUND**

Policy 28      Local Taxation and BIDs

**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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

**Timely**

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

**Primacy of Legislative Requirements**

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

**2. ESTIMATION AND PRIOR YEAR ERRORS**

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

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

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

**3. 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.

**4. 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 contracts with service recipients, whether for services or the provision 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 Council Tax and Business 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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**ACCOUNTING POLICIES (D)**

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.
- 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.

**5. 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.

**6. 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.

**7. RESERVES**

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

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

**8. 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**

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**ACCOUNTING POLICIES (D)**

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

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

**Retirement Benefits**

The Council has adopted the accounting requirements under IAS19 – Retirement Benefits, as required by the Code. Employees of the Council are members of Cumbria County Pension Fund, part of the Local Government Pension Scheme. The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of estimated earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate and type of bond provided by the Actuary
- The assets of the Cumbria Local Government Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities at current bid price
  - unquoted securities by professional estimate
  - unitised securities at current bid price
  - property at market value

The change in the net pension's liability is analysed into the following components:

<b>Component</b>	<b>Detail</b>	<b>Accounting Treatment</b>
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
<b>Component</b>	<b>Detail</b>	<b>Accounting Treatment</b>



**SOUTH LAKELAND DISTRICT COUNCIL**  
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Re-measurements (return on plan assets, actuarial gains and losses)	Return on Plan assets not included in net interest. Changes in net pensions liability arising because events have not coincided with assumptions made at last actuarial valuation or changes to actuaries' assumptions split between demographic and financial assumptions	Accounted for in the Pensions Reserve and as part of Other Comprehensive Income and Expenditure.
Contributions paid to the Cumbria Local Government Pension Scheme	Cash paid as employer's contributions to the pension fund.	Not accounted for as an expense in Comprehensive Income and Expenditure Statement but charged against General Fund through Movement in Reserves
Other administration costs	Other costs of scheme administration	Debited to other operating expenditure

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

#### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **Residual Arrangements**

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

### **9. 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.

### **10. 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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

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.

**11. 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.

**12. 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.

**13. 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. The fair value measurement assumes that the transactions to sell the asset or transfer the liability takes place wither:

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access as the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

**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).

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

Operational Land and Buildings – current value or depreciated replacement cost (DRC) for specialist assets where there is no active market.

Vehicles, Plant and Equipment – depreciated historic cost.

Infrastructure assets and assets under construction – depreciated historic cost

Community assets – historic cost.

**Revaluations**

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

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

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

**Impairment**

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

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

**Depreciation**

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

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

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

**Derecognition**

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

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**ACCOUNTING POLICIES (D)**

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. 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.

**16. 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 must be received or granted and there needs to be an expectation that they will 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.

**17. 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 policy on Property, Plant and Equipment.

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**ACCOUNTING POLICIES (D)**

**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.

**18. INVESTMENT PROPERTIES**

Assets held and managed purely for rental income or capital appreciation are held as Investment Properties. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently are revalued annually and held at fair value. Annual revenue income and expenditure are reflected in the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure.

**19. DEFINITION OF CAPITAL EXPENDITURE**

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

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

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

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

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

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

**20. 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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

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.

## **21. LEASES**

### **Finance Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Council currently has no material 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.

## **22. FINANCIAL ASSETS**

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

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 authority's business model is to hold investments to collect contractual cash flows. Financial Assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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 at Amortised Cost**

Financial assets measured at amortised cost 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 and initially are measured at fair value.

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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

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.

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.

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.

**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 through the Movement in Reserves Statement to the Unusable Reserves.

**Expected Credit Loss Model**

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 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.



**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2019/20**  
**ACCOUNTING POLICIES (D)**

**23. 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.

**24. 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

**25. BAD DEBTS**

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

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

**26. 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 2019/20**  
**ACCOUNTING POLICIES (D)**

**27. 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

**28. LOCAL TAXATION AND BIDS**

The Council is a billing authority for the district, collecting Council Tax and Business Rates on behalf of itself, the County Council (including fire service), Cumbria Police and Crime Commissioner and Central Government. Under statute these transactions are managed through the 'Collection Fund'. In line with agency accounting, the Council only recognises its own share of income and expenditure and the Collection Fund balance sheet.

Statute sets out the income and expenditure to be charged against the General Fund in the year; this will equal the approved Council Tax precept and budgeted level of retained business rates, including shares of prior year surpluses or deficits. The income recognised in the Comprehensive Income and Expenditure Statement is on an accrued basis and so includes the Council's share of any in year surplus or deficit. Any difference to the statutory amounts will be reversed out to the Collection Fund Adjustment Account, through the Movement in Reserves Statement.

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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**MOVEMENT IN RESERVES STATEMENT (E)**

<b>2018/19 *</b>	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
<b>Balance at 31 March 2018</b>	<b>(16,946)</b>	<b>(6,363)</b>	<b>(1,250)</b>	<b>(24,559)</b>	<b>(22,672)</b>	<b>(47,231)</b>
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
<b>Increase / Decrease in Year</b>	<b>542</b>	<b>(302)</b>	<b>(210)</b>	<b>30</b>	<b>3,712</b>	<b>2,846</b>
	<b>(16,404)</b>	<b>(6,665)</b>	<b>(1,460)</b>	<b>(24,529)</b>	<b>(19,856)</b>	<b>(44,385)</b>
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	(53)	(53)
<b>Balance at 31 March 2019</b>	<b>(16,404)</b>	<b>(6,665)</b>	<b>(1,460)</b>	<b>(24,529)</b>	<b>(19,909)</b>	<b>(44,438)</b>

<b>2019/20</b>	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
<b>Balance at 31 March 2019</b>	<b>(16,404)</b>	<b>(6,665)</b>	<b>(1,460)</b>	<b>(24,529)</b>	<b>(19,909)</b>	<b>(44,438)</b>
Total Comprehensive Expenditure and Income	2,355	0	0	2,355	(7,206)	(4,851)
Adjustments between accounting basis & funding basis under regulations	(1,504)	(842)	(1,463)	(3,807)	3,807	(0)
<b>Increase / Decrease in Year</b>	<b>851</b>	<b>(842)</b>	<b>(1,463)</b>	<b>(1,452)</b>	<b>(3,399)</b>	<b>(4,851)</b>
	<b>(15,553)</b>	<b>(7,507)</b>	<b>(2,923)</b>	<b>(25,981)</b>	<b>(23,308)</b>	<b>(49,289)</b>
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>(15,553)</b>	<b>(7,507)</b>	<b>(2,923)</b>	<b>(25,981)</b>	<b>(23,308)</b>	<b>(49,289)</b>

**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

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Capital	(8,125)	(10,430)
Revenue	(16,404)	(15,553)
Pensions	38,675	36,335
Other unusable reserves	(58,531)	(59,643)
<b>Total</b>	<b>(44,435)</b>	<b>(49,291)</b>

\* an immaterial adjustment has been made to the prior year accounts.

**SOUTH LAKE LAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (E)**

2018/19

2019/20

Restated  
See Note  
1

Gross Expenditure	Gross Income	Net			Gross Expenditure	Gross Income	Net
£000	£000	£000		Note	£000	£000	£000
4,053	(964)	3,089	Case Management		3,311	(928)	2,383
2,408	(205)	2,203	Commercial and Locality		2,567	(127)	2,440
13,996	(8,400)	5,596	Delivery and Commercial		13,505	(8,238)	5,267
21,090	(19,945)	1,145	Specialist Services		19,073	(17,523)	1,550
7,456	(1,060)	6,396	Strategy Innovation and Resources		8,084	(1,076)	7,008
<b>49,003</b>	<b>(30,574)</b>	<b>18,429</b>	<b>Cost of Services</b>	11	<b>46,540</b>	<b>(27,892)</b>	<b>18,648</b>
			<b>Other Operating Income and Expenditure</b>				
	(989)		Loss/(Gain) on the Disposal of non-current Assets	18			(1,366)
	1,567		Parish council precepts				1,647
	92		Parish Council Tax Reduction grant				92
	57		Pension Administration Costs	35			75
	<b>727</b>						<b>448</b>
			<b>Financing and Investment Income and Expenditure</b>				
	570		Interest Payable	26			567
	808		Net interest payable on net pension liability	35			886
	(223)		Investment Interest income	26			(289)
	405		Changes in fair value of Investment Properties	23			700
	(476)		Income received on Investment Properties	23			(614)
	70		Expenses incurred on Investment Properties	23			267
	<b>1,154</b>						<b>1,517</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(10,186)		Council Tax Income	Cfund			(10,506)
	(17,444)		Non domestic rates Income	Cfund			(17,680)
	1,646		Non-domestic rates levy	Cfund			2,058
	14,774		Non-domestic rates tariff	Cfund			15,112
	(884)		Income from Cumbria NNDR Pool	Cfund			(1,089)
	(3,047)		S31 Grant	Cfund			(3,885)
	(467)		Other Government Grant				(434)
	(688)		Recognised Capital Grants and Contributions				(1,834)
	<b>(16,296)</b>						<b>(18,258)</b>
	<b>4,014</b>		<b>(Surplus) or Deficit on Provision of Services</b>				<b>2,355</b>
	(5,138)		(Surplus) or Deficit on revaluation of Non-Current Assets	33e			(3,070)
	778		Non-Current Asset impairment charged to Reval Reserve	33e			423
	60		Movement in fair value of Financial Assets Available for Sale	33f			0
	3,132		Remeasurements of Net Defined Benefit Pension Liability	33b			(4,559)
	<b>(1,168)</b>		<b>Other Comprehensive Income and Expenditure</b>				<b>(7,206)</b>
	<b>2,846</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>(4,851)</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**BALANCE SHEET (E)**

<b>31 March 2019 £000</b>			<b>31 March 2020 £000</b>	<b>£000</b>
	<b>NON CURRENT ASSETS</b>	<b>Note</b>		
	<b>Property, Plant and Equipment</b>	<b>18</b>		
59,158	Other Land & Buildings		60,663	
5,570	Vehicles, Plant & Equipment		5,558	
3,951	Infrastructure		3,892	
427	Community Assets		375	
93	Assets under construction		57	
103	Surplus Assets		270	
<b>69,302</b>			<b>70,815</b>	
1,795	<b>Heritage Assets</b>	<b>22</b>	1,795	
4,594	<b>Investment Property</b>	<b>23</b>	4,184	
556	<b>Intangible Assets</b>	<b>20</b>	576	
51	<b>Long Term Debtors</b>		51	
<b>76,298</b>	<b>TOTAL NON CURRENT ASSETS</b>			<b>77,421</b>
	<b>CURRENT ASSETS</b>			
18,999	<b>Short Term Investments</b>	<b>26</b>	19,000	
6,538	<b>Short Term Debtors</b>	<b>28</b>	8,984	
1,914	<b>Cash and Cash Equivalents</b>	<b>27</b>	9,233	
170	<b>Assets held for sale</b>	<b>21</b>	0	
<b>27,621</b>	<b>TOTAL CURRENT ASSETS</b>			<b>37,217</b>
	<b>CURRENT LIABILITIES</b>			
(7,095)	<b>Short Term Creditors</b>	<b>29</b>	(15,661)	
(797)	<b>Grant Receipts in Advance</b>	<b>29</b>	(64)	
(853)	<b>Provisions</b>	<b>30</b>	(488)	
<b>(8,745)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(16,213)</b>
<b>95,174</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>98,425</b>
	<b>NON CURRENT LIABILITIES</b>			
(12,800)	<b>Long Term Borrowing</b>	<b>26</b>	(12,800)	
(37,936)	<b>Other Long Term Liabilities (Net Pension Liability)</b>	<b>35</b>	(36,335)	
<b>(50,736)</b>	<b>NON CURRENT LIABILITIES</b>			<b>(49,135)</b>
<b>44,438</b>	<b>NET ASSETS</b>			<b>49,290</b>
(24,529)	<b>Usable Reserves</b>	<b>8</b>	(25,983)	
(19,909)	<b>Unusable Reserves</b>	<b>33</b>	(23,307)	
<b>(44,438)</b>	<b>TOTAL RESERVES</b>			<b>(49,290)</b>

**Signed** Helen Smith

**Date** 27/11/20

**Finance Lead Specialist (Section 151 Officer)**

**Signed** Stephen Coleman

**Date** 27/11/20

**Chair of Audit Committee. Approved by Audit Committee**

**SOUTH LAKELAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**CASH FLOW STATEMENT (E)**

2018/19 £000		2019/20 £000
	<b>REVENUE ACTIVITIES</b>	
(4,014)	Net surplus or (deficit) on the provision of services	(2,355)
	<b>Adjusted for non-cash items:</b>	
3,974	Depreciation/amortisation/impairments	3,438
0	Adjustments for movements in fair value of investments	0
966	(Increase) / Decrease in Debtors, Creditors & Stocks	5,883
2,753	Pension Liability	2,958
(123)	Contribution to/(from) Provisions	(365)
200	Carrying amount of non-current assets sold	25
405	Movement in Investment Property values	700
<b>8,175</b>	<b>Total adjustment for non-cash items</b>	<b>12,639</b>
(1,877)	Adjusted for investing and financing activities	(3,353)
<b>2,284</b>	<b>Net Cash Flow from Operating Activities</b>	<b>6,931</b>
	<b>INVESTING ACTIVITIES</b>	
(2,730)	Purchase of PPE, investment property and intangible assets	(2,580)
(65,990)	Purchase of short-term and long-term investments	(52,490)
885	Proceeds from the sale of PPE, investment property and intangible assets	757
62,492	Proceeds from short-term and long-term investments	52,489
943	Other receipts from investing activities	2,242
<b>(4,400)</b>	<b>Net Cash (Inflow) / Outflow from Investing Activities</b>	<b>418</b>
	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
(355)	Other receipts from financing activities	(30)
0	Other payments for financing activities	0
<b>(355)</b>	<b>Net Cash Flow from Financing Activities</b>	<b>(30)</b>
<b>(2,471)</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,319</b>
4,385	Cash and cash equivalents at start of accounting period	1,914
1,914	Cash and cash equivalents at end of accounting period	9,233
<b>(2,471)</b>	<b>MOVEMENT PER THE BALANCE SHEET</b>	<b>7,319</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**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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Note 2	Accounting Standards that have been issued but not yet adopted and other issues
Note 3	Changes in Accounting Estimates
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**SOUTH LAKELAND DISTRICT COUNCIL**  
**The Core Financial Statements 2019/20**  
**NOTES TO THE ACCOUNTS (F)**

**OVERVIEW**

**1. Change of Accounting Policy and Prior Period errors**

There has been one change to policy affecting the 2019/20 accounts. This relates to a restructure of the council's services from directorates into leadership teams.

The following restatements of 2018/19 figures have been made in the Statements and relevant notes:

**Comprehensive Income and Expenditure Statement**

**Cost of Services**

	Gross Expenditure £000	Gross Income £000	Net £000
<b><i>As per 2018/19 Statement of Accounts:</i></b>			
Resources	21,924	(17,104)	4,820
Performance and Innovation	3,891	(72)	3,819
Strategic Development	8,848	(4,795)	4,053
Neighbourhood Services	14,340	(8,603)	5,737
<b>Cost of Services</b>	<b>49,003</b>	<b>(30,574)</b>	<b>18,429</b>
<b><i>2018/19 Restated for new Organisation Structure:</i></b>			
Case Management	4,053	(964)	3,089
Commercial and Locality	2,408	(205)	2,203
Delivery and Commercial	13,996	(8,400)	5,596
Specialist Services	21,090	(19,945)	1,145
Strategy Innovation and Resources	7,456	(1,060)	6,396
<b>Cost of Services</b>	<b>49,003</b>	<b>(30,574)</b>	<b>18,429</b>



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**Change to Note 10 Expenditure and Funding Analysis**

	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 CIES
	£000	£000	£000	£000	£000
<b><i>As per 2018/19 Statement of Accounts:</i></b>					
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
	<b>18,023</b>	<b>(4,495)</b>	<b>13,528</b>	<b>4,901</b>	<b>18,429</b>
Other Income and Expenditure	(18,023)	5,037	(12,986)	(1,429)	(14,415)
	<b>0</b>	<b>542</b>	<b>542</b>	<b>3,472</b>	<b>4,014</b>
<b><i>Restated for new Organisation Structure:</i></b>					
Case Management	3,089	(258)	2,831	258	3,089
Commercial and Locality	2,203	(612)	1,591	612	2,203
Delivery and Commercial	5,190	(3,049)	2,141	3,455	5,596
Specialist Services	1,145	(459)	686	459	1,145
Strategy Innovation and Resources	6,396	(117)	6,279	117	6,396
	<b>18,023</b>	<b>(4,495)</b>	<b>13,528</b>	<b>4,901</b>	<b>18,429</b>
Other Income and Expenditure	(18,023)	5,037	(12,986)	(1,429)	(14,415)
	<b>0</b>	<b>542</b>	<b>542</b>	<b>3,472</b>	<b>4,014</b>

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**Change to Note 11 Expenditure and Income analysed by Nature**

<b>2018/19</b>					
	<b>Resources</b>	<b>Performance and Innovation</b>	<b>Strategic Development</b>	<b>Neighbourhood Services</b>	<b>CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income:</b>					
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)
<b>Total</b>	<b>(17,104)</b>	<b>(72)</b>	<b>(4,795)</b>	<b>(8,603)</b>	<b>(30,574)</b>
<b>Expenditure:</b>					
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
<b>Total</b>	<b>21,924</b>	<b>3,891</b>	<b>8,848</b>	<b>14,340</b>	<b>49,003</b>
<b>Cost of services</b>	<b>4,820</b>	<b>3,819</b>	<b>4,053</b>	<b>5,737</b>	<b>18,429</b>
<b>Other income and expenditure on provision of services (per CIES )</b>					<b>(14,415)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>					<b>4,014</b>

<b>2018/19 Restated</b>						
	<b>Case Management</b>	<b>Customer &amp; Locality</b>	<b>Delivery &amp; Commercial</b>	<b>Specialist Services</b>	<b>Strategy, Innovation &amp; Resources</b>	<b>CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income:</b>						
Income from fees and charges	(692)	(201)	(7,065)	(1,506)	(67)	(9,531)
REFCUS income*	0	0	0	(856)	0	(856)
Grants and contributions	(272)	(4)	(1,335)	(17,583)	(993)	(20,187)
<b>Total</b>	<b>(964)</b>	<b>(205)</b>	<b>(8,400)</b>	<b>(19,945)</b>	<b>(1,060)</b>	<b>(30,574)</b>
<b>Expenditure:</b>						
Employees	2,996	805	4,625	2,648	4,358	15,432
Pension accounting adjustments**	162	50	256	123	(97)	494
Other Service Expenditure	800	991	5,916	17,127	2,982	27,816
Depreciation*	90	418	2,738	11	109	3,366
REFCUS*	0	0	0	1,185	104	1,289
Impairments*	5	144	461	(4)	0	606
<b>Total</b>	<b>4,053</b>	<b>2,408</b>	<b>13,966</b>	<b>21,090</b>	<b>7,456</b>	<b>49,003</b>
<b>Cost of services</b>	<b>3,089</b>	<b>2,203</b>	<b>5,596</b>	<b>1,145</b>	<b>6,396</b>	<b>18,429</b>
<b>Other income and expenditure on provision of services (per CIES )</b>						<b>(14,415)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>						<b>4,014</b>

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

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

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
  - This does not affect the Council as we do not have investments in associates or joint ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
  - This requires the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after a change to the plan. This only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.
- IFRS 16 Leases
  - Requires Councils who are lessees to recognise most leases in their balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC has deferred implementation until 1 April 2021. 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 2019/20.

**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 global Covid-19 pandemic has had a number of impacts on various areas of the accounts, more detail is given in the table below.

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The items in the Council's Balance Sheet at 31 March 2020 for which there could potentially be a material adjustment in the forthcoming financial year are:

Description	Detail	Consequences
<p>Property Plant and Equipment            (Balance Sheet values            31 March 20 £70.8m            31 March 19 £69.3m)</p>	<p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> <p>The impact of a 10% change in valuation of significant assets is £198k extra depreciation in the CIES, though this is reversed out of the general fund in the MIRS.</p> <p>In addition there is a potential impact of up to £4.56m from the (surplus) or deficit on revaluation of non-current assets, not charged to the revaluation reserve.</p>	<p>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.</p> <p>Although the value of assets on the balance sheet would reduce, this would have no overall impact of the financial viability of the Council.</p>
<p>Fair Value of investment properties            (Balance Sheet values            31 March 20 £4.2m            31 March 19 £4.6m)</p>	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent about how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>These valuations have been impacted by the Covid-19 pandemic in the same way as Property Plant and Equipment above.</p>	<p>A reduction of 1% in the value of assets would reduce the net worth of the Council by £0.4m. However, there are statutory over-rides in place to remove the impact of impairment on capital assets on usable reserves.</p> <p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>

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Description	Detail	Consequences
Arrears	At 31 March 2020, the Council had a net balance of £9m for short term debtors (£6.5m at 31 March 2019). Against this is an impairment allowance of £2m (£1.8m at 31 March 2019). It is not certain that this will be sufficient as the economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	If collection rates were to deteriorate, a doubling of the amount of the allowance for credit losses would require an additional £2m to set aside as an allowance.
Pensions Liability (Balance Sheet values 31 March 2020 £36.3m 31 March 2019 £37.9m)	<p>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.</p> <p>Included within the assets of the pension fund are investments in direct and indirect property totalling £10.4m which is subject to a 'material uncertainty' clause as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. As at the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19.</p>	The effects on the net pension liability of changes in individual assumptions can be measured, however, there are statutory overrides 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.

## 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.

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- Whilst suitably qualified professionals are used to provide values for assets and liabilities the nature and timing of COVID-19 has led to increased uncertainty this year end as the full impact remains unknown and unquantifiable. Individual notes give further details.

**6. Material Items of Income and Expense**

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

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Housing Benefit payments	16,278	14,583
Car Park Income *	(4,624)	(4,580)
Disabled Facilities Grant	(856)	(736)
Lake Windermere Income	(1,438)	(1,438)
SLDC share of Right to Buy receipts (within surplus on disposal of non-current assets)	(756)	(1,148)
Second Homes income agreement (expired on 31 March 2019)	(718)	0
Recycling Credits	(1,382)	(1,452)
Revaluation of Car Parking included in Other CIES	(3,848)	(114)
Downward Revaluation of Royalty Cinema included in Other CIES	514	0
Downward Revaluation of Braithwaite Fold Caravan Park in Other CIES	0	420
Revaluation of Recreation Grounds in Other CIES	0	(488)
Revaluation of Leisure Centres in Other CIES	0	(1,205)

\*Following the transfer of car parking enforcement into car parking from 2019/20, the 2018/19 total has been updated to include penalty income to enable comparability.

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 24 June 2020. .

Accounting rules define two types of event after the reporting period:

- Adjusting events: provide evidence of conditions that existed at the balance sheet date and, where material, the financial statements and notes in the statement of accounts are required to be amended to reflect the impact of the events.
- Non-adjusting events: which are indicative of conditions that arose after the balance sheet date but where there is no requirement for the financial statements and notes in the statement of accounts to be amended to reflect the events, but additional explanatory notes may need to be added.

For these 2019/20 financial statements, the existence of Covid-19 was recognised during the financial year and some of its impacts and actions taken by the Government were known by the reporting date of 31 March 2020, therefore some aspects of Covid-19 represent an adjusting event and the effects of the pandemic must be taken into account in measuring assets and liabilities wherever relevant, based on facts and circumstances at year-end, and materiality.

However, new information about the likely severity and duration of the effects of Covid-19 will continue to emerge. For these aspects, we have reviewed whether this information is 'adjusting' on the basis that it provides new evidence about the year-end situation, or is a non-adjusting event that should be disclosed.

The greatest potential impact of Covid-19 for the 2019/20 accounts is expected to be concerning the valuation of assets and liabilities – both property and financial. At the time of the completion of these accounts the duration or permanence of the impact of Covid-19 was not quantifiable. Therefore property valuations are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Pension assets and liabilities also reflect the financial market position at 31 March 2020, with details given in note 35.

Individual notes detail the potential impact of the pandemic.

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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 2018 £000	Transfers out £000	Transfers in £000	Balance 31 March 2019 £000	Transfers out £000	Transfers in £000	Balance 31 March 2020 £000
General Reserve	(6,025)	1,652	(413)	(4,786)	135	(292)	(4,943)
Carry Forward Reserve	(438)	428	(381)	(391)	391	(202)	(202)
Statutory Duties Reserve	(150)	52	0	(98)	48	(100)	(150)
Flooding Costs Reserve	(14)	14	0	0	0	0	0
Debt Redemption Reserve	(455)	455	0	0	0	0	0
Economic Development Fund	(167)	0	(137)	(304)	65	(81)	(320)
Revenue Funds for Capital	(587)	380	(100)	(307)	20	(100)	(387)
Building Control Fee Income Reserve	0	43	(43)	0	11	0	11
Local Land Charges Reserve	(94)	94	0	0	9	0	9
Licensing Reserves	(19)	68	(88)	(39)	61	(93)	(71)
Second Homes Income Reserve	(46)	0	(46)	(92)	92	0	0
IT Replacement Reserve	(74)	73	(80)	(81)	138	(80)	(23)
Revs and Bens IT reserve	(10)	10	0	0	0	0	0
LABGI (Local Authority Business Growth Initiative)	(5)	0	0	(5)	0	0	(5)
Planning Delivery Grant Fund	(18)	18	0	0	0	0	0
Local Arts Strategic Partnership Reserve	(30)	0	0	(30)	0	0	(30)
New Homes Bonus Reserve	(1,457)	214	(875)	(2,118)	459	0	(1,659)
General Fund Major Repairs Reserve	(307)	202	(50)	(155)	25	(150)	(280)
Cumbria NDR Pool Income Reserve	(1,169)	599	(1,007)	(1,577)	323	(1,048)	(2,302)
Cumbria NDR Pool volatility Reserve	(299)	299	(176)	(176)	176	(217)	(217)
Commutted Sums Reserve	(153)	19	0	(134)	1	0	(133)
LSVT Environmental Warranties	(282)	0	0	(282)	0	0	(282)
Customer Connect Reserve	(1,301)	1,216	(1,949)	(2,034)	1,221	0	(813)
Marshall Hooper Reserve	(37)	0	0	(37)	0	0	(37)
Personal Financial Resilience Fund	0	0	(25)	(25)	5	(33)	(53)
Climate Change Reserve	0	0	0	0	6	(200)	(194)
Improving South Lakeland Reserve	0	0	0	0	0	(30)	(30)
Community Housing Fund	(2,309)	113	(37)	(2,233)	265	0	(1,968)
<b>Total Earmarked Revenue Reserves</b>	<b>(15,446)</b>	<b>5,949</b>	<b>(5,407)</b>	<b>(14,904)</b>	<b>3,451</b>	<b>(2,626)</b>	<b>(14,079)</b>
<b>Other Reserves</b>							
<b>Usable capital receipts</b>	<b>(6,363)</b>	<b>887</b>	<b>(1,189)</b>	<b>(6,665)</b>	<b>549</b>	<b>(1,391)</b>	<b>(7,507)</b>
<b>CIL Fund Reserve</b>	<b>(297)</b>	<b>38</b>	<b>(244)</b>	<b>(503)</b>	<b>129</b>	<b>(741)</b>	<b>(1,115)</b>
<b>Capital Grants Unapplied</b>	<b>(953)</b>	<b>1,296</b>	<b>(1,300)</b>	<b>(957)</b>	<b>1,295</b>	<b>(2,146)</b>	<b>(1,808)</b>
<b>GF Working balance</b>	<b>(1,500)</b>	<b>542</b>	<b>(542)</b>	<b>(1,500)</b>	<b>0</b>	<b>26</b>	<b>(1,474)</b>
<b>Total Usable Reserves</b>	<b>(24,559)</b>	<b>8,712</b>	<b>(8,682)</b>	<b>(24,529)</b>	<b>5,244</b>	<b>(6,878)</b>	<b>(25,983)</b>

**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* - delegated to Senior Management Team for statutory duties and similar unavoidable legal costs of which £48k was used in 2019/20 and £100k contributed.

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- *Flooding Costs Reserve*- set aside to meet the costs of Storm Desmond in December 2015. Final expenditure was incurred in 2018/19.
- *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.
- *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.
- *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.
- *Commuted 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.
- *Climate Change Reserve* – established in 2019/20.
- *Improving South Lakeland Reserve* – established in 2019/20.
- *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.

	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
<b>2018/19</b>						
<b>Capital Adjustment Account</b>						
<i><b>Reversal of items recognised in the CIES</b></i>						
Amortisation of intangible fixed assets	(114)	0	0	(114)	114	0
Depreciation	(3,253)	0	0	(3,253)	3,253	0
Impairment/valuation 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
<i><b>Items not recognised in the CIES</b></i>						
Statutory provision for repayment of debt (MRP)	573	0	0	573	(573)	0
Capital expenditure financed from revenue	877	0	0	877	(877)	0
<b>Capital grants/CIL credited to CIES</b>	688	0	(505)	183	(183)	0
<b>Adjustments involving Capital Receipts</b>						
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
<b>Adjustments involving the Pensions Reserve</b>						
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
<b>Collection Fund Adjustment Account NDR</b>	290	0	0	290	(290)	0
<b>Collection Fund Adjustment Account CTax</b>	(79)	0	0	(79)	79	0
<b>Accumulated Absences Account</b>	0	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,472)</b>	<b>(302)</b>	<b>(210)</b>	<b>(3,984)</b>	<b>3,984</b>	<b>0</b>

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2019/20	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
<b>Capital Adjustment Account</b>						
<b><i>Reversal of items recognised in the CIES</i></b>						
Amortisation of intangible fixed assets	(147)	0	0	(147)	147	0
Depreciation	(2,898)	0	0	(2,898)	2,898	0
Impairment/revaluation losses to I&E	(393)	0	0	(393)	393	0
Movement in market value of Investment Properties	(700)	0	0	(700)	700	0
Revenue funded from Capital under Statute (REFCUS)	(1,561)	0	0	(1,561)	1,561	0
REFCUS Grants	924	0	0	924	(924)	0
Capital grants applied	0	0	1,295	1,295	(1,295)	0
Value of non-current assets sold	(25)	0	0	(25)	25	0
<b><i>Items not recognised in the CIES</i></b>						
Statutory provision for repayment of debt (MRP)	719	0	0	719	(719)	0
Capital expenditure financed from revenue	1,316	0	0	1,316	(1,316)	0
<b>Capital grants/CIL credited to CIES</b>	<b>1,834</b>	<b>0</b>	<b>(2,758)</b>	<b>(924)</b>	<b>924</b>	<b>0</b>
<b>Adjustments involving Capital Receipts</b>						
Transfer of non-current asset sales proceeds	1,391	(1,391)	0	0	0	0
Use of Capital Receipts to fund capital expenditure	0	549	0	549	(549)	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
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of retirement benefits debited or credited to CIES	(4,949)	0	0	(4,949)	4,949	0
Employer's payments in the year	2,730	0	0	2,730	(2,730)	0
<b>Collection Fund Adjustment Account NDR</b>	<b>279</b>	<b>0</b>	<b>0</b>	<b>279</b>	<b>(279)</b>	<b>0</b>
<b>Collection Fund Adjustment Account CTax</b>	<b>(48)</b>	<b>0</b>	<b>0</b>	<b>(48)</b>	<b>48</b>	<b>0</b>
<b>Accumulated Absences Account</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>(26)</b>	<b>0</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(1,502)</b>	<b>(842)</b>	<b>(1,463)</b>	<b>(3,807)</b>	<b>3,807</b>	<b>0</b>

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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).

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
Restated see Note 1 and below*	(i) £000	(ii) £000	(iii) £000	(iv) £000	(v) £000
Case Management	3,089	(258)	2,831	258	3,089
Customer and Locality	2,203	(612)	1,591	612	2,203
Delivery and Commercial	5,190	(3,049)	2,141	3,455	5,596
Specialist Services	1,145	(459)	686	459	1,145
Strategy Innovation & Resources	6,396	(117)	6,280	117	6,396
<b>Net cost of Services</b>	<b>18,023</b>	<b>(4,495)</b>	<b>13,529</b>	<b>4,901</b>	<b>18,429</b>
Other income and expenditure	(18,023)	5,037	(12,986)	(1,429)	(14,415)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>542</b>	<b>542</b>	<b>3,472</b>	<b>4,014</b>
<b>Opening General Fund Balances</b>			<b>(16,946)</b>		
Surplus/Deficit (-/+)			542		
<b>Closing General Fund Balances</b>			<b>(16,404)</b>		

\* Note 1 indicates there has been a change in the reporting structure of the Council, which had resulted in 2018/19 being restated to the new structure to allow comparison.

2019/20	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
Case Management	2,383	(250)	2,133	250	2,383
Customer and Locality	2,440	(810)	1,630	810	2,440
Delivery and Commercial	4,920	(2,484)	2,436	2,831	5,267
Specialist Services	1,550	(541)	1,009	541	1,550
Strategy Innovation & Resources	7,008	(180)	6,828	180	7,008
<b>Net cost of Services</b>	<b>18,301</b>	<b>(4,265)</b>	<b>14,036</b>	<b>4,612</b>	<b>18,648</b>
Other income and expenditure	(18,301)	5,116	(13,185)	(3,108)	(16,293)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>851</b>	<b>851</b>	<b>1,504</b>	<b>2,355</b>
<b>Opening General Fund Balances</b>			<b>(16,404)</b>		
Surplus/Deficit (-/+)			825		
<b>Closing General Fund Balances</b>			<b>(15,553)</b>		

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).

2018/19						
Restated see Note 1	Case Management	Customer & Locality	Delivery & Commercial	Specialist Services	Strategy, Innovation & Resources	CIES
	£000	£000	£000	£000	£000	£000
<b>Income:</b>						
Income from fees and charges	(692)	(201)	(7,065)	(1,506)	(67)	(9,531)
REFCUS income*	0	0	0	(856)	0	(856)
Grants and contributions	(272)	(4)	(1,335)	(17,583)	(993)	(20,187)
<b>Total</b>	<b>(964)</b>	<b>(205)</b>	<b>(8,400)</b>	<b>(19,945)</b>	<b>(1,060)</b>	<b>(30,574)</b>
<b>Expenditure:</b>						
Employees	2,996	805	4,625	2,648	4,358	15,432
Pension accounting adjustments**	162	50	256	123	(97)	494
Other Service Expenditure	800	991	5,916	17,127	2,982	27,816
Depreciation*	90	418	2,738	11	109	3,366
REFCUS*	0	0	0	1,185	104	1,289
Impairments*	5	144	461	(4)	0	606
<b>Total</b>	<b>4,053</b>	<b>2,408</b>	<b>13,966</b>	<b>21,090</b>	<b>7,456</b>	<b>49,003</b>
<b>Cost of services</b>	<b>3,089</b>	<b>2,203</b>	<b>5,596</b>	<b>1,145</b>	<b>6,396</b>	<b>18,429</b>
<b>Other income and expenditure on provision of services (per CIES )</b>						<b>(14,415)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>						<b>4,014</b>
<b>Reversal of funding adjustments:</b>						
*Capital adjustments	(96)	(563)	(3,199)	(336)	(213)	(4,407)
**Pension adjustments	(162)	(50)	(256)	(123)	97	(494)
<b>EFA column (iv) Cost of Services</b>	<b>(258)</b>	<b>(613)</b>	<b>(3,455)</b>	<b>(459)</b>	<b>(116)</b>	<b>(4,901)</b>
<b>Funding adjustments in other income and expenditure:</b>						
Pension						0
Depreciation						0
<b>Other adjustments as per note 9:</b>						
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
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>						<b>(3,472)</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>						<b>542</b>

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2019/20

	Case Management	Customer & Locality	Delivery & Commercial	Specialist Services	Strategy, Innovation & Resources	CIES
	£000	£000	£000	£000	£000	£000
<b>Income:</b>						
Income from fees and charges	(725)	(121)	(6,786)	(1,346)	(69)	(9,047)
REFCUS income*	0	0	0	(924)	0	(924)
Grants and contributions	(203)	(6)	(1,452)	(15,253)	(1,007)	(17,921)
<b>Total</b>	<b>(928)</b>	<b>(127)</b>	<b>(8,238)</b>	<b>(17,523)</b>	<b>(1,076)</b>	<b>(27,892)</b>
<b>Expenditure:</b>						
Employees	2,283	756	5,068	2,383	4,394	14,884
Pension accounting adjustments**	159	54	370	136	(183)	536
Other Service Expenditure	778	1,001	5,606	15,225	3,510	26,120
Depreciation*	91	486	2,311	11	146	3,045
REFCUS*	0	0	32	1,313	217	1,562
Impairments*	0	270	118	5	0	393
<b>Total</b>	<b>3,311</b>	<b>2,567</b>	<b>13,505</b>	<b>19,073</b>	<b>8,084</b>	<b>46,540</b>
<b>Cost of services</b>	<b>2,383</b>	<b>2,440</b>	<b>5,267</b>	<b>1,550</b>	<b>7,008</b>	<b>18,648</b>
<b>Other income and expenditure on provision of services (per CIES )</b>						<b>(16,293)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>						<b>2,355</b>
<b>Reversal of funding adjustments:</b>						
*Capital adjustments	(91)	(756)	(2,461)	(405)	(363)	(4,076)
**Pension adjustments	(159)	(54)	(370)	(136)	183	(536)
<b>EFA column (iv) Cost of Services</b>	<b>(250)</b>	<b>(810)</b>	<b>(2,831)</b>	<b>(541)</b>	<b>(180)</b>	<b>(4,612)</b>
<b>Funding adjustments in other income and expenditure:</b>						
Pension						0
Depreciation						0
<b>Other adjustments as per note 9:</b>						
Value of non-current assets sold						(25)
Statutory provision for repayment of debt (MRP)						719
Capital expenditure financed from revenue						1,316
Capital grants/CIL unapplied credited to CIES						1,834
Transfer of non-current asset sales proceeds						1,391
Reversal of movement in investment property values						(700)
Reversal of other IAS19 items						(1,684)
Collection Fund Adjustment Account NDR						231
Accumulated Absences Account						26
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>						<b>(1,504)</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>						<b>851</b>

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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.

	2018/19 £000	2019/20 £000
<b>Reconciliation to EFA column (ii):</b>		
Reverse EFA column (iv) Cost of Services	(4,901)	(4,612)
<b>Less presentation adjustments of corporate items:</b>		
Trading accounts	0	0
Investment properties within Delivery & Commercial	406	347
CIL income	0	0
<b>EFA column (ii) Cost of Services</b>	<b>(4,495)</b>	<b>(4,265)</b>
<b>Other Income and Expenditure adjustments</b>		
Service items presented corporately	(406)	(347)
Capital charges in corporate items	0	0
Pension adjustments in corporate items	0	0
Reversal of total capital items	4,407	4,075
Reversal of total pension items	494	537
Net movement on Reserves	542	825
<b>EFA column (II) other I&amp;E</b>	<b>5,037</b>	<b>5,090</b>
<b>EFA column (ii) total</b>	<b>542</b>	<b>825</b>

## 12. Revenue from Contracts

The Council's income that includes contractual arrangements is shown in Note 11 and amounts to £9.0m (£9.4m 2018/19). The majority of this income involves payment for services at the time of delivery e.g. Car Park Income (£4.6m 2019/20, £4.5m 2018/19) or that will be delivered within the financial year e.g. Lake Windermere charges (£1.4m 2019/20, £1.4m 2018/19).

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 (£315k gross) within SLDC's CIES on the grounds that having the gross figures would not reflect the underlying relationship, i.e. 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:

	<b>2018/19</b> <b>£000</b>	<b>2019/20</b> <b>£000</b>
<b>SLDC Acting as Agent for Other Organisations</b>		
Income paid over to organisations and individuals	946	915
Management fees received by SLDC	(132)	(122)
<b>Other Organisations Acting as Agent for SLDC</b>		
Income Received	(709)	(587)
Agency Fee Paid By SLDC	35	55

During 2019/20, a car park which was previously part of a management agreement whereby SLDC were acting as an agent is now owned by the Council, therefore reducing the income paid to other organisations by £25k. Other differences between financial years are related to loss of income in March 2020 due to Covid-19 and an increase in the provision for bad debts at Town View Fields Hostel.

In the Budget delivered to Parliament on 11 March 2020, the Chancellor announced all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant of £3,000 to help with the impact of Covid-19. Subsequently the scheme was expanded to include businesses in the retail, hospitality and leisure sectors and the amount of grant increased to £10,000 for businesses with a rateable value under £15,000 and to £25,000 for businesses with a rateable value between £15,000 and £51,000. Local authorities are reimbursed by government for the grant payments made using a grant under section 31 of the Local Government Act 2003.

The Council has assessed that since we have no control over the amount to be awarded, eligibility is related to business status and billing authorities only have discretion not to award the grant, until they identify the correct recipient. These features indicate that the Council is not acting on our own behalf, but as agents of the Government. There were no transactions relating to this scheme in 2019/20 but applications had been received. The Council received a grant of £74.5m on 1 April 2020 and the first payments of grants, of just under £1m, were paid the same day. Total payments to date (23 June 2020) are £57.9m.

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**14. Members' Allowances**

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

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Allowances	255	253
Expenses	14	15
<b>Total</b>	<b>269</b>	<b>268</b>

**15. Officers' Remuneration and Exit Packages**

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

New Structure (19/20) following the implementation of Customer Connect.		<b>Salary, Fees and Allowances  £000</b>	<b>Expenses Allowances  £000</b>	<b>Compensation for loss of office  £000</b>	<b>Pension Contribution  £000</b>	<b>Total  £000</b>
Chief Executive	2019/20	111	1	0	18	130
Director of Strategy Innovation and Resources	2019/20	79	1	0	13	93
Director of Customer and Commercial Services	2019/20	79	1	0	13	93
Operational Lead Customer and Locality Services	2019/20	51	1	60	8	120
Operational Lead Support Services	2019/20	61	1	0	10	72
Finance Lead Specialist	2019/20	57	0	0	9	66
Operational Lead Delivery and Commercial Services	2019/20	52	1	0	8	61
Head of Shared ICT	2019/20	51	1	0	8	60
Legal, Governance and Democracy Specialist (Monitoring Officer) *	2019/20	36	1	0	6	43

\*This role was not recruited to until August 2019. If employed for the whole year the post holder would have earned £53,000 before pension.



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Previous Structure (18/19)		<b>Salary, Fees and Allowances £000</b>	<b>Expenses Allowances £000</b>	<b>Compensation for loss of office £000</b>	<b>Pension Contribution £000</b>	<b>Total £000</b>
Chief Executive	2018/19	109	1	0	18	<b>128</b>
Corporate Director - Policy and Resources (Monitoring Officer)	2018/19	81	1	79	13	<b>174</b>
Corporate Director -People and Places	2018/19	77	1	0	12	<b>90</b>
Assistant Director-Resources (Section 151 Officer)	2018/19	71	1	72	12	<b>156</b>
Assistant Director- Strategic Development	2018/19	60	1	40	10	<b>111</b>
Assistant Director-Neighbourhood Services	2018/19	60	1	0	10	<b>71</b>
Assistant Director-Performance and Innovation	2018/19	60	1	0	10	<b>71</b>
Financial Services Manager	2018/19	52	0	0	8	<b>60</b>
Solicitor to the Council	2018/19	55	1	0	0	<b>56</b>

There is no comparative data for the Senior Officers Remuneration due to the restructure of the council through the implementation of Customer Connect except for the Chief Executive.

The pension figures use the primary rate of 16.2% (16.2% for 2018/19) 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.

The numbers of Council employees receiving remuneration (treated as salary, special allowances and expenses allowances but excluding pension payments) of more than £50k in 2018/19 and 2019/20 are shown in the table below:

	<b>2018/19 Number of employees</b>	<b>2019/20 Number of employees</b>
£50,000 - £54,999	7	4
£55,000 - £59,999	1	1
£60,000 - £64,999	4	1
£65,000 - £69,999	1	0
£70,000 - £74,999	1	0
£75,000 - £79,999	4	1
£80,000 - £99,999	0	1
£100,000- £119,999	1	2
£120,000 - £139,999	0	0
£140,000 - £159,999	1	0
£160,000 - £179,999	1	0
<b>Total</b>	<b>21</b>	<b>10</b>

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**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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	3	3	6	3	9	6	95	50
£20,001 - £40,000	1	1	5	2	6	3	195	76
£40,001 - £100,000	1	1	9	1	10	2	564	104
<b>TOTAL</b>	<b>5</b>	<b>5</b>	<b>20</b>	<b>6</b>	<b>25</b>	<b>11</b>	<b>854</b>	<b>230</b>

Bandings have been aggregated to prevent disclosure of individual settlements.

**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 2018/19 and 2019/20 was Grant Thornton UK LLP.

	2018/19 £000	2019/20 £000
Fees payable to the appointed auditor for external audit services	43	49
Additional 18/19 fee for external audit services	0	5
Fees payable to the appointed auditor for the certification of grant claims and returns	16	0
Additional 17/18 fee for grant claims	4	0
Additional 18/19 fee for grant claims	0	5
<b>Total</b>	<b>63</b>	<b>59</b>

A 17/18 HB Subsidy Additional Fee of £3,500 was received in 19/20. This sum was shown in the 18/19 statement as per the 18/19 Audit. A receipt of £5,200 in 2019/20 reflected a refund of fees from the Public Sector Audit Appointments for the prior period 2018/19. This is not shown in the 2019/20 figures above, as set out in previous years reporting.

An additional audit fee of £1.5k for 2019/20 will be accrued into 2020/21, resulting in a total audit fee for 2019/20 Final Accounts of £50.5k.

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**17. Grant Income**

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

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Specific Grant Credited to Services:</b>		
Department for Works and Pensions -		
Housing Benefit Subsidy	(16,178)	(14,595)
Housing Benefit Administration grant	(188)	(170)
Housing Benefits Local Scheme	(21)	(23)
Other Revenue and Benefits Grants	(84)	(71)
Ministry of Housing, Communities & Local Government -		
New Homes Bonus	(875)	(517)
NNDR grants	(300)	(301)
Flexible Homelessness Support	(115)	(82)
Council Tax Reduction Scheme Admin grant	(80)	(77)
COVID-19 Grant	0	(40)
Local Council Tax Discounts	0	(38)
Local Authority EU Exit Preparation	(17)	(35)
Custom Build	(30)	(15)
Preventing Homelessness	(12)	(11)
Transparency Grant	(8)	(8)
Planning Grants	(4)	(2)
DCLG Flood Relief Grants	(24)	0
Neighbourhood Plan grant	(20)	0
High Street Community Clean Up	(18)	0
Elections	(5)	(360)
Individual Electoral Registration and Transformation	(21)	(20)
Rapid Rehousing Grant	0	(38)
Cultural Compact Grant	0	(18)
PCC Community Safety Partnership Co-ordinator Admin	(15)	(15)
Apprenticeship training grant	(8)	(9)
Conservation	(23)	(6)
Grants funding REFCUS (DFG, Conservation and CIL)	(851)	(816)
<b>Total Specific Grant credited to Cost of Services</b>	<b>(18,896)</b>	<b>(17,269)</b>
<b>Contributions Credited to Cost of Services</b>		
Recycling Credit Contributions	(1,383)	(1,452)
Other Contributions	(764)	(125)
<b>Total Contributions credited to Cost of Services</b>	<b>(2,147)</b>	<b>(1,577)</b>
<b>Total Grants and contributions credited to Cost of Services</b>	<b>(21,043)</b>	<b>(18,846)</b>

**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

<b>Movements in 2018/19</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2018</b>	<b>57,124</b>	<b>12,116</b>	<b>4,576</b>	<b>235</b>	<b>17</b>	<b>300</b>	<b>74,368</b>
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)
<b>At 31 March 2019</b>	<b>60,498</b>	<b>12,099</b>	<b>4,576</b>	<b>427</b>	<b>93</b>	<b>103</b>	<b>77,796</b>
<b>Accumulated Depreciation</b>							
<b>at 1 April 2018</b>	<b>(860)</b>	<b>(6,503)</b>	<b>(560)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,923)</b>
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
<b>At 31 March 2019</b>	<b>(1,340)</b>	<b>(6,529)</b>	<b>(625)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,494)</b>
<b>Net Book Value</b>							
<b>at 31 March 2018</b>	<b>56,264</b>	<b>5,613</b>	<b>4,016</b>	<b>235</b>	<b>17</b>	<b>300</b>	<b>66,445</b>
<b>at 31 March 2019</b>	<b>59,158</b>	<b>5,570</b>	<b>3,951</b>	<b>427</b>	<b>93</b>	<b>103</b>	<b>69,302</b>

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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<b>Movements in 2019/20</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation At 1 April 2019</b>	<b>60,498</b>	<b>12,099</b>	<b>4,576</b>	<b>427</b>	<b>93</b>	<b>103</b>	<b>77,796</b>
additions	0	591	0	0	0	0	591
enhancements	722	580	0	18	100	0	1,420
disposals	(19)	(13)	0	0	0	0	(32)
revaluations recognised in RR	433	26	0	(22)	0	0	437
revaluations recognised in I&E	(177)	0	0	(246)	0	0	(423)
assets reclassified	(60)	0	0	198	(135)	167	170
<b>At 31 March 2020</b>	<b>61,397</b>	<b>13,283</b>	<b>4,576</b>	<b>375</b>	<b>58</b>	<b>270</b>	<b>79,959</b>
<b>Accumulated Depreciation at 1 April 2019</b>	<b>(1,340)</b>	<b>(6,529)</b>	<b>(625)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,494)</b>
depreciation charge in the year	(1,638)	(1,200)	(59)	0	0	0	(2,897)
Disposals	7	0	0	0	0	0	7
revaluations recognised in RR	2,206	4	0	0	0	0	2,210
revaluations recognised in I&E	30	0	0	0	0	0	30
assets re-classified	1	0	0	0	(1)	0	0
<b>At 31 March 2020</b>	<b>(734)</b>	<b>(7,725)</b>	<b>(684)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(9,144)</b>
<b>Net Book Value</b>							
<b>at 31 March 2019</b>	<b>59,158</b>	<b>5,570</b>	<b>3,951</b>	<b>427</b>	<b>93</b>	<b>103</b>	<b>69,302</b>
<b>at 31 March 2020</b>	<b>60,663</b>	<b>5,558</b>	<b>3,892</b>	<b>375</b>	<b>57</b>	<b>270</b>	<b>70,815</b>

The net book value of assets reclassified into PPE (£170k) is matched by the amounts reclassified from Assets Held for Sale in Note 21.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

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**Information on Assets Held**

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

<b>Property, Plant and Equipment Assets Held</b>	<b>Number at 31 March 2018</b>	<b>Changes 2018/19</b>	<b>Number at 31 March 2019</b>	<b>Changes 2019/20</b>	<b>Number at 31 March 2020</b>
<b>Other Land and Buildings:</b>					
Allotments	various sites	various sites	various sites	various sites	various sites
Car Parks	43	1	44	0	44
Cemeteries	9	0	9	0	9
Depots	5	0	5	(1)	4
Historic Properties	1	0	1	0	1
Houses and hostel	3	0	3	1	4
Garage Sites	4	0	4	0	4
Lake & associated assets	1	0	1	0	1
Markets	7	0	7	0	7
Outdoor Centres	1	0	1	0	1
Public Halls	2	0	2	0	2
Public Offices	3	0	3	0	3
Sports Centres	3	0	3	0	3
Swimming Pools	2	0	2	0	2
Toilets	30	(1)	29	0	29
Tourist Information Centres	1	0	1	0	1
Other land and buildings	42	(4)	38	0	38
<b>Vehicles Plant and Equipment:</b>					
Vehicles	81	(1)	80	1	81
CCTV Schemes	0	0	0	0	0
<b>Infrastructure Assets:</b>					
Sea Defences	1	0	1	0	1
Sewerage Works	2	0	2	0	2
Land Drainage schemes	3	0	3	0	3
<b>Community Assets:</b>					
Historic Structures	5	0	5	0	5
Parks, Woodland and Open Spaces	186	0	186	3	189
<b>Surplus Assets:</b>	5	2	7	1	8

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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:

<b>Component</b>	<b>Useful Life (Years)</b>
Structure	50
Services	22
Roof	50

<b>Classification</b>	<b>Detail</b>	<b>Default Useful Life (Years)</b>
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.

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**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 (6<sup>th</sup> 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:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Carried at historical cost</b>	353	5,485	3,892	369	0	0	<b>10,099</b>
<b>Valued at fair and current value as at:</b>							
31 March 2020	17,828	73	0	6	0	0	<b>17,907</b>
31 March 2019	35,684	0	0	0	0	0	<b>35,684</b>
31 March 2018	6,521	0	0	0	39	150	<b>6,710</b>
31 March 2017	276	0	0	0	0	120	<b>396</b>
31 March 2016	0	0	0	0	19	0	<b>19</b>
<b>Total Cost or Valuation</b>	<b>60,662</b>	<b>5,558</b>	<b>3,892</b>	<b>375</b>	<b>58</b>	<b>270</b>	<b>70,815</b>

The major capital commitments as at 31 March were:

	2019 £000	2020 £000
Affordable Housing Grants	40	5
Ulverston Town Hall	495	0
Public Realm schemes	152	120
Vehicles	186	1,055
Car park machine upgrades	106	53
Play Areas	264	141
IT Replacement Fund/Digital Innovation	32	22
Community Housing Fund	0	134
Right to Buy replacements	0	248
Braithwaite Fold caravan park	5	2
Grange promenade & LIDO	0	42
Bins and signage	0	103
LIPS applications	20	15
Energy Saving building enhancements	15	5
Others	11	6
<b>Total Commitments</b>	<b>1,326</b>	<b>1,951</b>

The main commitments at 31 March 2020 were – refuse vehicles ordered with significant lead time, due for delivery in 2020/21 (£1,055k), the balance of a payment to Housing Association when contractual obligations are met (£248k), works ordered but not commenced to refurbish play areas (£141k), community housing schemes awaiting legal agreements being drawn up (£134k) and public realm schemes where payment of contributions to outside bodies are not yet due (£120k).



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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 2019/20 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £1.7m. This was mainly due to capital expenditure that has not added to the current or fair value of assets (£923k) and the revaluation of assets to reflect current market conditions (£792k).

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Bus Shelters	0	(2)
Car Parks	(511)	(503)
Lake Assets	(44)	(5)
Offices	(258)	(78)
Historic properties	(1)	0
Retail/commercial properties	(623)	(756)
Recreation/parks	(372)	(316)
Cemeteries	0	0
Sports Centres	(162)	(76)
Depots	(99)	0
Other	(66)	0
<b>Total Impairments and downward Revaluations</b>	<b>(2,136)</b>	<b>(1,736)</b>
<b>Through Provision of Services</b>	<b>(1,358)</b>	<b>(1,313)</b>
<b>Through Other CIES</b>	<b>(778)</b>	<b>(423)</b>
<b>Prior year impairments credited to Provision of Services</b>	<b>126</b>	<b>0</b>

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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 2019/20 the digital innovation project was enhanced by continuing software development work (£161k) and the council's software for BACS transmissions received a security upgrade (£6k).

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 2020 they made up £71k (£71k at 31 March 2019) of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows.

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Cost or Valuation:</b>		
<b>Balance at 1 April</b>	<b>1,274</b>	<b>1,461</b>
Additions/enhancements	121	167
Disposals	0	0
Impairments	0	0
Assets reclassified	66	0
<b>At 31 March</b>	<b>1,461</b>	<b>1,628</b>
<b>Amortisation:</b>		
<b>At 1 April</b>	<b>(783)</b>	<b>(905)</b>
Charge for the Year	(114)	(147)
Disposals	0	0
Assets reclassified	(8)	0
<b>At 31 March</b>	<b>(905)</b>	<b>(1,052)</b>
<b>Balance Sheet Amount at 1 April</b>	<b>491</b>	<b>556</b>
<b>Balance Sheet Amount at 31 March</b>	<b>556</b>	<b>576</b>

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**21. Assets Held for Sale**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Cost or Valuation:</b>		
<b>Balance at 1 April</b>	<b>120</b>	<b>170</b>
Additions	50	0
Disposals	(1,237)	0
assets re-classified	1,237	(170)
<b>At 31 March</b>	<b>170</b>	<b>0</b>
<b>Depreciation at 1 April</b>	<b>0</b>	<b>0</b>
Charged in year	0	0
Disposals	1,037	0
assets re-classified	(1,037)	0
<b>At 31 March</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>		
<b>At 31 March</b>	<b>170</b>	<b>0</b>

At the start of 2019/20, the toilet block at Glebe Road, Bowness (£120k) and land at Sparrowmire Lane, Kendal (£50k) were held as assets held for sale. During the year the sale of the toilet block fell through and negotiations are still ongoing regarding the land sale. As neither asset now meets the criteria for an asset held for sale, they have been re-categorised as surplus assets.

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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 insurance cover valuation was supplied by Zurich Municipal in 2019/20. There is no movement on the balance sheet in 2019/20 as follows:

<b>Movements</b>	<b>Museum Collections 2018/19 £000</b>	<b>Museum Collections 2019/20 £000</b>
<b>Cost or Valuation</b>		
At 1 April	1,814	1,795
enhancements	1	0
disposals	0	0
revaluations	(20)	0
<b>At 31 March</b>	<b>1,795</b>	<b>1,795</b>
<b>Net Book Value</b>		
<b>at 1 April</b>	<b>1,814</b>	<b>1,795</b>
<b>at 31 March</b>	<b>1,795</b>	<b>1,795</b>

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.

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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:

<b>Movements in Fair Value</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at start of the year</b>	<b>4,973</b>	<b>4,594</b>
Additions	27	290
Disposals	0	0
Revaluations	213	56
Reclassifications and amendments	0	0
Impairments	(619)	(756)
<b>Balance at end of the year</b>	<b>4,594</b>	<b>4,184</b>

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 in 2019/20 are due to the acquisition of a garage and bin store on Dowker Lane, Kendal as part of the purchase of the portion of the car park formerly owned by Booths supermarket.

**Assets Held**

	<b>Number at 31 March 2018</b>	<b>Changes 2018/19</b>	<b>Number at 31 March 2019</b>	<b>Changes 2019/20</b>	<b>Number at 31 March 2020</b>
<b>Investment Properties Assets Held</b>					
Miscellaneous Commercial Properties	14	0	14	2	16
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:

- £3.06m (£3.47m 2018/19) 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 7 and 14 (between 8 and 14 in 2018/19).
- £1.12m (£1.12m 2018/19) 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 (£320k), Dowker Lane car park (£325k), Braithwaite Fold (£188k) and South Lakeland House (£37k).

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>17,996</b>	<b>18,354</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment, Intangibles and Investment Properties	2,740	2,468
Revenue Expenditure Funded from Capital under Statute	1,289	1,561
<b>Sources of finance:</b>		
Capital receipts	(887)	(549)
Government grants and other contributions	(1,334)	(1,295)
Sums set aside from revenue:		
Direct revenue contributions	(877)	(1,316)
Minimum Revenue Provision	(573)	(719)
<b>Closing Capital Financing Requirement</b>	<b>18,354</b>	<b>18,504</b>
<b>Explanation of movements in year:</b>		
Decrease in underlying need to borrow - Minimum Revenue Provision	(573)	(719)
Increase in underlying need to borrow	931	869
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>358</b>	<b>150</b>

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**25. Leases**

**Council as Lessee**

**Finance Leases**

The Council has no assets held under finance leases.

**Operating Leases**

The Council currently holds operating leases for the provision of digital printing equipment, various pieces of land, a short term lease for a property and the use of a refrigerated vehicle. The future lease payments are expected to be:

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Not later than one year	14	39
Between one year and five years	2	0
Later than five years	0	0
<b>Minimum lease payments</b>	<b>16</b>	<b>39</b>

£41k was charged to the Comprehensive Income and Expenditure Statement for operating leases in 2019/20 (£25k in 2018/19). 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:

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Not later than one year	365	940
Between one year and five years	721	1,230
Later than five years	1,129	4,748
<b>Total</b>	<b>2,215</b>	<b>6,918</b>

A number of leases were renewed in 2019/20 which had previously expired at 31/03/2019.

With the introduction of the new leasing accounting standard, a full review of all property agreements to clarify their status will be completed in 2020/21.

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**

**Categories of Financial Instruments**

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

	Long-term		Current		Total	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
<b>Investments:</b>						
Amortised Cost	0	0	18,999	19,000	18,999	19,000
Financial assets at fair value through profit and loss	0	0	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>18,999</b>	<b>19,000</b>	<b>18,999</b>	<b>19,000</b>
<b>Debtors:</b>						
Amortised Cost	51	51	2,422	2,715	2,473	2,766
<i>Debtors that are not financial instruments</i>	0	0	4,116	6,269	4,116	6,269
<b>Total Debtors</b>	<b>51</b>	<b>51</b>	<b>6,538</b>	<b>8,984</b>	<b>6,589</b>	<b>9,035</b>
<b>Cash &amp; Cash Equivalents</b>						
Amortised Cost	0	0	584	(566)	584	(566)
Financial assets at fair value through profit and loss	0	0	1,330	9,799	1,330	9,799
<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>1,914</b>	<b>9,233</b>	<b>1,914</b>	<b>9,233</b>
<b>Borrowings:</b>						
Financial liabilities at amortised cost	(12,800)	(12,800)	0	0	(12,800)	(12,800)
<b>Total borrowings</b>	<b>(12,800)</b>	<b>(12,800)</b>	<b>0</b>	<b>0</b>	<b>(12,800)</b>	<b>(12,800)</b>
<b>Creditors:</b>						
Financial liabilities at amortised cost	0	0	(1,706)	(4,155)	(1,706)	(4,155)
<i>Creditors that are not financial instruments</i>	0	0	(6,186)	(11,544)	(6,186)	(11,544)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(7,892)</b>	<b>(15,699)</b>	<b>(7,892)</b>	<b>(15,699)</b>



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**Income, Expense, Gains and Losses**

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

	2018/19			2019/20		
	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	570	0	570	567	0	567
Interest income	(187)	(35)	(222)	(233)	(56)	(289)
<b>Total (Income)/Expense in Surplus or Deficit on the Provision of Services</b>	<b>383</b>	<b>(35)</b>	<b>348</b>	<b>334</b>	<b>(56)</b>	<b>278</b>
Losses on revaluation	60	0	60	0	0	0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>60</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (gain)/loss for the year</b>	<b>443</b>	<b>(35)</b>	<b>408</b>	<b>334</b>	<b>(56)</b>	<b>278</b>

**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. Details of the levels can be found in Accounting Policy 13.

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 31 March 2019 £000	As at 31 March 2020 £000
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	1,330	9,799
<b>Total</b>			<b>1,330</b>	<b>9,799</b>

**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 (PWL) 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 2.47% and 2.64% (2.26% and 2.39% for 31 March 2019). 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 0.55% and 0.71% under PWLB debt redemption procedures (1.33% and 1.47% for 31 March 2019).

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- 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 2019		31 March 2020	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities – PWLB Redemption Rate	(12,800)	(23,798)	(12,800)	(28,168)
Financial liabilities – PWLB New Loan Rate	as above	(19,405)	as above	(18,402)
Current Creditors	(1,706)	(1,706)	(4,155)	(4,155)
<b>Total Financial Liabilities (Redemption)</b>	<b>(14,506)</b>	<b>(25,504)</b>	<b>(16,955)</b>	<b>(32,323)</b>
<b>Total Financial Liabilities (New Loan)</b>	<b>(14,506)</b>	<b>(21,111)</b>	<b>(16,955)</b>	<b>(22,557)</b>

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	31 March 2019		31 March 2020	
	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	18,999	19,041	19,000	19,066
Amortised Cost – Cash Equivalents	584	584	(566)	(566)
Current Debtors	2,422	2,422	2,715	2,715
<b>Total Financial Assets</b>	<b>22,056</b>	<b>22,158</b>	<b>21,200</b>	<b>21,326</b>

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

The fair value of the assets is 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.

#### **Risk of Covid-19**

While the following section considers specific risks there are overarching risks arising from the Covid-19 pandemic and the countries response to it.

On 19<sup>th</sup> March 2020 the Bank of England Monetary Policy Committee cut the UK Bank Rate to 0.10%, following this on 23<sup>rd</sup> March 2020 the UK went into Lockdown with all but essential workplaces being shut down. It has been identified that this reduction in economic activity, investment returns and the additional burden placed on public services, such as those run by the Council, could have the following impacts:

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- To reduce the amount of cash backed reserves available for investments. Leading onto cash flow problems as income from fees and charges also reduces and impacts on the Council's internal borrowing position.
- Reducing the maturity profile of investments as the short term money market dries up due to central government support of financial institutions, leaving increased balances in cash or cash equivalents compared to previous years.

In order to mitigate against these risks and following a review of the Council cash flows and investments following advance payment of some government grants, the Council increased the use of instant access investments to ensure availability of funds to meet cash flow forecasts in Executive Decision 3 on 31<sup>st</sup> March 2020. This can be found on our website as follows:

<https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=502&MId=4891&Ver=4&Info=1>.

### **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 2019/20 Annual Treasury Management Strategy was reported to and approved by Council on 26 February 2019, 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.

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The key indicators within the strategy were:

- the Authorised Limit for 2019/20 was set at £26.8m (£24.6m for 2018/19). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £20.6m (£18.6m for 2018/19). 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 2018/19).

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:

	<b>Criteria</b>	<b>Money Limit</b>	<b>Time Limit</b>
UK Banks	Yellow, Purple, Blue or Orange	£3m	1 year
UK Banks	Red	£3m	6 Months
UK Banks	Green	£3m	100 Days
Non UK Banks	Yellow, Purple, 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

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	<i>Criteria</i>	<i>Money Limit</i>	<i>Time Limit</i>
<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</i> <i>e.g. Enhanced Money Market Funds &amp; Bond Funds</i>	AAA S1/V1	£2m	1 Year

Performance against the approved strategy has been reported to Council on a quarterly basis and there has only been 1 breach in the year which was reported in line with the procedure and reversed within the week.

#### **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 2018/19 the loss allowance was £1.255m and for 2019/20 this has changed to £1.448m. 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 £377k of the £2,645k balance (due from its general debtors) is past its due date for payment (more than 30 days overdue) (£395k of £3,117k for 31 March 2019). The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
0 to six months	192	99
Six months to one year	45	64
More than one year	158	214
<b>Total</b>	<b>395</b>	<b>377</b>

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.

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**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.

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 2019		31 March 2020	
		£000	%	£000	%
Less than one year (creditors and short term borrowing)	25%	(1,706)	11%	(4,155)	25%
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)	42%	(12,000)	70%
Between 40 and 45 years	100%	(6,000)	42%	0	0%
<b>Total</b>		<b>(14,506)</b>	<b>100%</b>	<b>(16,955)</b>	<b>100.00%</b>

**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:

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<b>Sensitivity analysis</b>	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(353)	(376)
<b>Impact on surplus or deficit on the provision of services</b>	<b>(353)</b>	<b>(376)</b>
Decrease in fair value of fixed rate investment assets	43	68
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>43</b>	<b>68</b>
Decrease in value of fixed rate borrowings liabilities (based on early repayment)*	4,701	5,746
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,592	3,303

\*Disclosure items only, no impact on CIES.

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

#### **Price Risk**

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

#### **Foreign Exchange Risk**

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

### **27. Cash and Cash Equivalents**

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

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Cash held by the Authority	1	1
Bank current accounts	583	(566)
Short-term deposits with Money Market Funds	1,330	9,798
<b>Total Cash and Cash Equivalents</b>	<b>1,914</b>	<b>9,233</b>

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

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Interest Received	211	273
Interest Paid	(570)	(567)
	<b>(359)</b>	<b>(294)</b>

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**28. Debtors**

The current debtors balance is made up as follows:

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Trade Receivables	1,904	2,395
Prepayments	285	1,462
Other Receivable Amounts	4,349	5,127
<b>Total</b>	<b>6,538</b>	<b>8,984</b>

The increase in Prepayments of £1.2m is mainly due to Coronavirus SB Rate Relief £880k and Coronavirus Retail Grants of £100k. The increase in Other Receivable Amounts is the difference in Collection Fund CTAX and NNDR between years.

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

<b>Allowance for credit losses</b>	<b>Balance 1 April 2018 £000</b>	<b>Debts written off in year £000</b>	<b>Increase (decrease) in year £000</b>	<b>Balance 31 March 2019 £000</b>	<b>Debts written off in year £000</b>	<b>Increase (decrease) in year £000</b>	<b>Balance 31 March 2020 £000</b>
Council Taxpayers	127	(64)	101	164	(68)	115	211
Non Domestic Ratepayers	248	(189)	294	353	(338)	378	393
Sundry Debtors	1,044	(103)	314	1,255	(76)	269	1,448
<b>Total</b>	<b>1,419</b>	<b>(356)</b>	<b>709</b>	<b>1,772</b>	<b>(482)</b>	<b>762</b>	<b>2,052</b>

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:

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Trade Payables	(2,114)	(1,687)
Other Payables	(5,778)	(14,038)
<b>Total</b>	<b>(7,892)</b>	<b>(15,725)</b>

The increase in Other Payables is due to receipts in advance relating to Cross-a-Moor Junction £2.8m, a £2.8m NNDR Levy payment due to the NNDR Pool and MHCLG Business Rate Reliefs of £4.1m. Due to Covid19 we received Business Rate Relief in advance.



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**30. Provisions**

The Council has no general provisions.

The only provision held at 31 March 2019 and 2020 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 the new check, challenge, appeal process for the 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 £488k is based on the Council's share (40%) of the estimated cost of the appeals.

Specific provisions	Balance 31 March 2018 £000	Amounts used in year £000	Amounts added in year £000	Balance 31 March 2019 £000	Amounts used in year £000	Amounts added in year £000	Balance 31 March 2020 £000
NDR appeals provision	(976)	193	(70)	(853)	235	130	(488)
<b>Total</b>	<b>(976)</b>	<b>193</b>	<b>(70)</b>	<b>(853)</b>	<b>0</b>	<b>0</b>	<b>(488)</b>

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**31. Contingent Liabilities**

At 31 March 2020, 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.
- There is one legal case outstanding which the Council has brought, while the Council believes that it will successfully rebut it, there is still a risk of non-recovery of our legal costs.
- The Council is part of the Local Government Association group litigation against several European truck manufacturers who were found by the European Commission to be part of a cartel that colluded anti-competitively between January 1997 and January 2011.
- In March 2020, the Government put the Country into lock down as a step to deal with the Covid-19 pandemic. This has had a considerable impact on the Council from processing the national business support grants, to maintaining key services such as refuse collection while protecting the health of our employees and the loss of fees and charges income such as car parking. At the balance sheet date the full impact of this was unknown though it is thought to be more than the £39k in Covid-19 support grant given to the Council by Government. Also the Council had received notification of an allocation of £74 million to use to pay the business support grants.
- 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 £1.1 million of capital receipts from SLH in relation to this during 2019/20 (£756k in 2018/19).
- 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 2019/20 £243k was received during the year (£349k in 2018/19).

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**33. Unusable Reserves**

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

<b>Unusable reserve</b>	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
A. Untaken Absences Account	212	186
B. Pensions Reserve	38,675	36,335
C. Capital Adjustment Account	(20,450)	(19,814)
D. Collection Fund Adjustment Account	(687)	(918)
E. Revaluation Reserve	(37,615)	(39,052)
F. Financial Instruments Adjustment Account	0	0
G. Deferred Capital Receipts Reserve	(44)	(44)
<b>Total Unusable Reserves</b>	<b>(19,909)</b>	<b>(23,307)</b>

**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.

<b>UNTAKEN ABSENCES ACCOUNT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>212</b>	<b>212</b>
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	186
<b>(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)</b>	<b>0</b>	<b>(26)</b>
<b>Balance at 31 March</b>	<b>212</b>	<b>186</b>

**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.

<b>PENSIONS RESERVE</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>33,545</b>	<b>38,675</b>
Re-measurements of net defined benefit pension liability	3,132	(4,559)
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	4,608	4,949
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,610)	(2,730)
<b>Balance at 31 March</b>	<b>38,675</b>	<b>36,335</b>

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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.

<b>CAPITAL ADJUSTMENT ACCOUNT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>(21,240)</b>	<b>(20,450)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>		
- Depreciation/impairment charges for non-current assets	3,860	3,291
- Amortisation of intangible assets	114	147
- Revenue expenditure funded from capital under statute	1,289	1,561
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	200	25
Capital Grants received and applied	(1,221)	0
Movements in the market value of Investment Properties	405	700
<b>Total adjustments to CIES</b>	<b>4,647</b>	<b>5,724</b>
<b>Amounts direct from Revaluation Reserve</b>	<b>(1,354)</b>	<b>(1,209)</b>
<b>Assets not previously valued</b>	<b>(53)</b>	<b>0</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance expenditure	(887)	(549)
Application of grants from Capital Grant Unapplied	(113)	(1,295)
Minimum Revenue Provision	(573)	(719)
Capital expenditure charged against the General Fund	(877)	(1,316)
<b>Total financing</b>	<b>(2,450)</b>	<b>(3,879)</b>
<b>Balance at 31 March</b>	<b>(20,450)</b>	<b>(19,814)</b>

**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.

<b>COLLECTION FUND ADJUSTMENT ACCOUNT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>(476)</b>	<b>(687)</b>
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(290)	(279)
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	79	48
<b>Balance at 31 March</b>	<b>(687)</b>	<b>(918)</b>

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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.

<b>REVALUATION RESERVE</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>(34,609)</b>	<b>(37,615)</b>
Upward revaluation of assets	(5,138)	(3,070)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	778	423
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(4,360)</b>	<b>(2,647)</b>
Difference between fair value depreciation and historical cost depreciation	1,354	1,210
Accumulated gains on assets sold or scrapped	0	0
<b>Amount written off to the Capital Adjustment Account</b>	<b>1,354</b>	<b>1,210</b>
<b>Balance at 31 March</b>	<b>(37,615)</b>	<b>(39,052)</b>

**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.

<b>FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>(60)</b>	<b>0</b>
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	60	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**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.

<b>DEFERRED CAPITAL RECEIPTS RESERVE</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Balance at 1 April</b>	<b>(44)</b>	<b>(44)</b>
Transfer to the Capital Receipts Reserve on receipt of cash	0	0
<b>Balance at 31 March</b>	<b>(44)</b>	<b>(44)</b>

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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 2019/20 totals £268k (2018/19 £269k) 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, of those only one was deemed material. This was where a member is also a member of Ulverston Community Enterprise, a not-for-profit organisation and charity to whom we have paid £73k to in 2019/20 and recovered £16k in the same time period relating to the operation of the Coronation Hall and Market Hall in Ulverston.

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, up to 2 Members to the board of South Lakes Housing and 1 Member to Kendal Brewery Arts Centre.

A historic report on the work of SLDC representatives for 2019/20 will be presented to Council during 2020. 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 is due to be presented at its meeting on 7<sup>th</sup> July 2020.

"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.

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**Officers**

Declarations were received by all senior Officers, no relevant transactions were declared for the year ended 31 March 2020.

**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 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 (£1.4m in 2019/20, £1.1m in 2018/19).

Although there is potential for the Council to significantly influence the operating policies of South Lakes Housing, it is judged that that there is not a material associate relationship as the Council has made no monetary investment, has no right to any operating surpluses (other than through the VAT shelter and Right To Buy agreement) or exposure to operating losses or other liabilities ( 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 scheme. Final contributions were made in 2019/20 so participation in this scheme has now ceased.

**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:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Comprehensive Income and Expenditure Statement (CIES):</b>				
<b>Cost of Services:</b>				
- current service cost	3,104	3,267	0	0
- past service costs	608	448	0	0
- settlements and curtailments	31	273	0	0
- Pension Admin costs	57	75	0	0
<b>Financing and investment income and expenditure:</b>				
- Net interest cost on net liability	808	886	117	108
<b>Total post employment benefit charged to CIES</b>	<b>4,608</b>	<b>4,949</b>	<b>117</b>	<b>108</b>
<b>Other post employment benefit charged to CIES</b>				
- return on plan assets	(4,614)	5,734	0	0
- actuarial (gain)/losses due to demographic assumptions	0	(6,000)	0	(128)
- actuarial (gain)/losses due to financial assumptions	7,591	(2,507)	155	(49)
- actuarial (gain)/losses due to other assumptions	0	(1,411)	0	(198)
<b>Total charged to the CIES</b>	<b>7,585</b>	<b>765</b>	<b>272</b>	<b>(267)</b>
<b>Movement in reserves statement:</b>				
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(4,608)	(4,949)	(117)	(108)
<b>Actual amount charged against the general fund in the year:</b>				
- employers' contributions payable to scheme	2,323	2,450	287	280



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Included in 2019/20 is a total of £448k related to Guaranteed Minimum Pension indexation and equalisation. 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 2020 is a loss of £5.891m. The net of post-employment benefits debited to Other CIES is a credit of £4,559m (debit of £3.132m in 2018/19), 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 tri-annual valuations were completed for 31 March 2020.

The projected employer contributions for the forthcoming financial year (2020/21) are estimated to be £2.133m (£2.572m 2019/20).

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Discretionary Benefits Arrangements</b>	
	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Opening balance at 1 April</b>	<b>145,760</b>	<b>156,924</b>	<b>4,657</b>	<b>4,642</b>
Current service cost	3,104	3,267	0	0
Interest cost	3,738	3,724	117	108
Contributions by scheme participants	614	603	0	0
- actuarial (gain)/losses due to demographic assumptions	0	(6,000)	0	(128)
- actuarial (gain)/losses due to financial assumptions	7,591	(2,507)	155	(49)
- actuarial (gain)/losses due to other assumptions	0	(1,411)	0	(198)
Benefits paid	(4,522)	(4,040)	(287)	(280)
Curtailments and past service	639	721	0	0
<b>Closing balance at 31 March</b>	<b>156,924</b>	<b>151,281</b>	<b>4,642</b>	<b>4,095</b>

The weighted average duration of scheme liabilities is 17 years.

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

	<b>Local Government Pension Scheme - Funded</b>		<b>Unfunded</b>	
	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Opening balance at 1 April</b>	<b>116,872</b>	<b>122,891</b>	<b>0</b>	<b>0</b>
Expected rate of return	3,047	2,946	0	0
Return on plan assets	4,614	(5,734)	0	0
Pension Administration Costs	(57)	(75)	0	0
Employer contributions	2,323	2,450	287	280
Contributions by scheme participants	614	603	0	0
Benefits paid	(4,522)	(4,040)	(287)	(280)
<b>Closing balance at 31 March</b>	<b>122,891</b>	<b>119,041</b>	<b>0</b>	<b>0</b>

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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.

<b>Trend of Assets and Liabilities</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Present value of assets:</b>					
Local Government pension scheme	92,014	114,040	116,872	122,891	119,041
<b>Present value of liabilities:</b>					
Local Government pension scheme	(117,458)	(148,034)	(145,760)	(156,924)	(151,281)
Discretionary benefits	(4,653)	(4,933)	(4,657)	(4,642)	(4,095)
<b>Total scheme (deficit)/surplus</b>	<b>(30,097)</b>	<b>(38,927)</b>	<b>(33,545)</b>	<b>(38,675)</b>	<b>(36,335)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £36.335m 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.

**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 2020. The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2019/20</b>
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
- men	23.3	22.6
- women	25.9	25.2
<b>Longevity at 65 for future pensioners:</b>		
- men	25.6	24.2
- women	28.6	27.1
<b>Other Assumptions:</b>		
Rate of inflation - CPI	2.2%	2.1%
Rate of increase in salaries	3.7%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%

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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. In March 2020 there have been substantial falls in equity markets around the world in relation to Covid-19. This will have consequences for asset values, and these falls in equity markets are reflected in the accounting figures as at 31 March 2020. Over the same month, the market falls have extended to corporate bonds and, as a result, yields on AA-rated corporate bonds rose by around 0.5%p.a. As the discount rate for accounting purposes is based on corporate bond yields and this will have caused a reduction in accounting liabilities..

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

<b>Composition of Local Government Pension Scheme Assets</b>	<b>31 March 2019</b>		<b>31 March 2020</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Equity investments</b>				
UK Quoted	11,553	9.4	11,905	10.00
Global Quoted	26,544	21.6	23,808	20.00
UK Equity Pooled (unquoted)	1,229	1.0	0	0.00
Overseas Equity Pooled (unquoted)	17,328	14.1	8,333	7.00
Equity Protection	1,598	1.3	0	0.00
<b>Bonds</b>				
UK Government Index Pooled (unquoted)	21,997	17.9	27,379	23.00
UK Corporate Bonds (quoted)	7,496	6.1	0	0.00
Overseas Corporate Bonds (quoted)	246	0.2	0	0.00
<b>Property</b>				
UK	7,742	6.3	7,023	5.90
Property Funds	3,687	3.0	3,333	2.80
<b>Cash/Liquidity</b>				
Cash Accounts	5,899	4.8	4,524	3.80
Net Current Assets	123	0.1	119	0.10
<b>Other</b>				
Healthcare Royalties	737	0.6	833	0.70
Private Debt Funds	2,949	2.4	3,809	3.20
Private Equity Funds	3,564	2.9	4,405	3.70
Infrastructure Funds	9,585	7.8	8,809	7.40
Multi Asset Credit	0	0.0	14,285	12.00
Real Estate Debt Funds	614	0.5	476	0.40
<b>Total</b>	<b>122,891</b>	<b>100.0</b>	<b>119,041</b>	<b>100.0</b>

### 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.

	<b>Central £000</b>	<b>+0.1% pa discount rate £000</b>	<b>+0.1% pa inflation £000</b>	<b>+0.1% pa pay growth £000</b>	<b>+1 yr life expectancy £000</b>
Liabilities	155,376	152,875	157,918	155,647	159,601
Assets	(119,041)	(119,041)	(119,041)	(119,041)	(119,041)
<b>(Deficit)/surplus</b>	<b>36,335</b>	<b>33,834</b>	<b>38,877</b>	<b>36,606</b>	<b>40,560</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Collection Fund 2019/20**  
**INCOME AND EXPENDITURE ACCOUNT (G)**

**INCOME AND EXPENDITURE ACCOUNT**

2018/19				2019/20	
£000	£000		Note	£000	£000
<b>INCOME</b>					
(94,770)		Council Tax (Gross)		(99,367)	
8,908		Less Council Tax Discounts		9,268	
4,882		Less Council tax reduction scheme		5,047	
	<b>(80,980)</b>	<b>Net Income from Council Tax</b>			<b>(85,052)</b>
	<b>(30)</b>	<b>Local Council Tax Discounts from General Fund</b>			<b>(15)</b>
	<b>(42,869)</b>	<b>Non-Domestic Rates</b>	<b>3</b>		<b>(43,401)</b>
	<b>(123,879)</b>	<b>TOTAL INCOME</b>			<b>(128,468)</b>
<b>EXPENDITURE</b>					
60,300		Cumbria County Council Precept	2	63,049	
10,535		Cumbria Police Precept	2	11,683	
10,242		SLDC (inc Parish) Precepts	2	10,597	
63		Council Tax Amounts written-off		68	
300		Council tax impairment of debt		400	
	<b>81,440</b>	<b>Council Tax Precepts and Demands</b>			<b>85,797</b>
21,378		Central Government share		21,304	
4,276		Cumbria County Council share		4,261	
17,102		SLDC share		17,043	
(1,182)		Transitional protection payments		(629)	
189		NDR Amounts written-off		339	
261		Increase / (reduction) in NDR debt Impairment		100	
(483)		NDR appeals provision utilised in year		(586)	
174		Increase / (reduction) in NDR appeals provision		(325)	
300		Cost of Collection Allowance		301	
	<b>42,015</b>	<b>Non-Domestic Rates expenditure</b>			<b>41,808</b>
	<b>123,455</b>	<b>TOTAL EXPENDITURE</b>			<b>127,605</b>
<b>430</b>		<b>Council Tax (Surplus)/Deficit for the Year</b>		<b>730</b>	
<b>(854)</b>		<b>NDR (Surplus)/Deficit for the year</b>		<b>(1,593)</b>	
	<b>(424)</b>	<b>TOTAL (SURPLUS) / DEFICIT FOR THE YEAR</b>			<b>(863)</b>
24		SLDC share b/f Council Tax surplus		(42)	
25		Cumbria Police share b/f Council Tax surplus		(43)	
143		Cumbria County Council share b/f Council Tax surplus		(249)	
51		SLDC share of projected NDR (deficit)/surplus		358	
64		Central share of projected NDR (deficit)/surplus		448	
13		County share of projected NDR (deficit)/surplus		89	
	<b>320</b>	<b>Total contributions for prior years</b>			<b>561</b>
<b>Ctax</b>	<b>NDR</b>	<b>Fund balance reconciliation</b>		<b>CTax</b>	<b>NDR</b>
<b>(238)</b>	<b>(1,114)</b>	<b>(Surplus) / Deficit at 1 April</b>	<b>4</b>	<b>384</b>	<b>(1,840)</b>
<b>622</b>	<b>(726)</b>	<b>Movement in year</b>	<b>4</b>	<b>396</b>	<b>(698)</b>
<b>384</b>	<b>(1,840)</b>	<b>(Surplus) / Deficit at 31 March</b>	<b>4</b>	<b>780</b>	<b>(2,538)</b>
	<b>(1,456)</b>	<b>TOTAL (SURPLUS)/DEFICIT AT 31 MARCH</b>			<b>(1,758)</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Collection Fund 2019/20**  
**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 £63.049m (£60.300m for 2018/19), Cumbria Police Authority £11.683m (£10.535m for 2018/19) and the Council £10.597m (£10.242m for 2018/19) 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): 45,513 for 2019/20 (45,270 for 2018/19). This basic amount of Council Tax for a Band D property of £1,874.79 (£1,791.12 for 2018/19) 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 2019/20 was calculated on the following basis:

<b>Band</b>	<b>Chargeable Dwellings (net of discounts)</b>	<b>Proportion of Band D Tax</b>	<b>2019/20 Band D Equivalent Dwellings</b>	<b>2018/19 Band D Equivalent Dwellings</b>
<b>A</b>	3,107	6/9	2,071	2,036
<b>B</b>	8,350	7/9	6,494	6,445
<b>C</b>	10,215	8/9	9,080	9,063
<b>D</b>	8,869	9/9	8,869	8,858
<b>E</b>	6,749	11/9	8,249	8,173
<b>F</b>	4,382	13/9	6,330	6,274
<b>G</b>	2,637	15/9	4,395	4,398
<b>H</b>	242	18/9	485	476
<b>All Bands</b>	<b>44,551</b>		<b>45,973</b>	<b>45,723</b>
Allowance for 1% late collection			(460)	(453)
<b>Council Tax Base</b>			<b>45,513</b>	<b>45,270</b>

**3. National Non-Domestic Rates**

Non-Domestic Rates are organised on a national basis. The Government has specified an amount (rate) of 50.4p for 2019/20 (49.3p for 2018/19). 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 49.1p (48.0p in 2018/19) 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 2019/20**  
**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 2020 is £122.9m (£121.1m at 31 March 2019). Mandatory and discretionary reliefs are available, including relief relating to the December 2015 floods.

	<b>2018/19</b> <b>£000</b>	<b>2019/20</b> <b>£000</b>
Gross Rates Payable	(57,738)	(60,347)
less:		
Transitional Relief	1,182	629
Mandatory Reliefs	12,402	13,655
Discretionary Reliefs	421	1,899
Unoccupied Property	864	763
<b>Net Rates Payable</b>	<b>(42,869)</b>	<b>(43,401)</b>

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 £17.680m (£17.444m for 2018/19) and the share of the 19/20 surplus £358k (£51k in 18/19) is transferred into the General Fund. This is then reduced by a tariff payment £15.112m (£14.774m for 2018/19) 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 £43,401m (£42.869m for 2018/19)

#### **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 2019/20 identified between Council Tax and Non-Domestic Rates.

# **SOUTH LAKELAND DISTRICT COUNCIL**

## **THE ANNUAL GOVERNANCE STATEMENT 2019/20 (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](http://www.southlakeland.gov.uk) or can be obtained on written request to the Council at South Lakeland House, Lowther Street, Kendal, Cumbria, LA9 4DQ. The Local Code of Governance is reviewed annually by the Council’s Audit Committee to ensure it remains relevant, effective, comprehensive and up-to-date.

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 2020 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 2019/20 (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 has re-shaped the operating model of the Council and will enhance digitally enabled services, engaging customers, local tax payers and partners in service improvement.

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

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 and no further actions were identified as part of the 2019/20 review of the Local Code of Governance by Audit Committee.



## SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2019/20 (H)

### 4. Key Roles of Those Responsible for Developing and Maintaining the Governance Framework

Council	Approves the Council Strategy Approves the Constitution (including Financial Regulations) Approves Council Plan, key policies and budgetary framework
Cabinet	Takes decisions to deliver the Council Plan and key policies and budget Comprises seven Cabinet members (including the Leader) who have responsibility for particular portfolios
Audit Committee	Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment Approves the annual Statement of Accounts and Annual Governance Statement
Standards Committee	Responsible for promoting and maintaining high standards of conduct by councillors and co-opted members (including the Council's Code of Conduct), and holding hearings in relation to allegations of breaching the Code.
Scrutiny Committee	Hold Cabinet and officers to account and scrutinise performance
Chief Executive and Corporate Management Team	Chief Executive has responsibility for the overall management of the Council, its vision and strategy. Corporate Management Team implement the policy and budgetary framework set by the Council and provide advice to Cabinet and the Council on the development of future policy and budgetary issues: oversee the implementation of Council policy.
Monitoring Officer	Legal, Governance and Democracy Lead Specialist Ensures the Council operates lawfully and develops, maintains and operates within a Constitution suited for its requirements.
Chief Finance Officer (S151)	Finance Lead Specialist Accountable for the Council's systems and processes to ensure sound financial stewardship and that the Council delivers value for money in the services it provides. Ensures counter fraud arrangements Ensures timely support, information and responses to external auditors and properly considers audit findings and recommendations. Ensures that assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.
Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers an annual programme of risk based audit activity Makes recommendations for improvements in the management of risk.
External Audit	Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Contribute to the effective corporate management and governance of the Council.

### 5. 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:

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2019/20 (H)**

### **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 / Statutory Officer Level review**

Corporate Management Team consider and challenge performance, risk management and internal audit reports. They have reviewed the Local Code of Governance in year. The Chief Finance Officer (Section 151 Officer) and Monitoring Officer also have input through their membership of the Corporate Management Team. No significant governance issues have been identified.

### **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: the review of 2019/20 was postponed due the impact of Covid-19 and was reported to Overview and Scrutiny Committee on 17 July 2020: there were no issues identified as part of that review to be included in this Annual Governance Statement.

### **Audit Committee self-assessment**

The Audit Committee annual report for 2019/20 concluded that it was working effectively, functioning in accordance with best practice and providing independent assurance of the Council's governance arrangements. The Committee reviewed the AGS at their meeting on 17 September 2020 alongside the Council's unaudited 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. No review of 2019/20 has been carried out due the impact of Covid-19 but Standards Committee completed the work programme for 2019/20 and no issues have been identified arising from the review of the 2019/20 work programme or the setting of the 2020/21 work programme.

### **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

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2019/20 (H)**

Audit Committee on 17 September 2020 received the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31st March 2020. Overall it concluded that internal audit work has been carried out in accordance with the mandatory standards for internal audit, the work of internal audit is considered to be sufficient to provide an opinion on the systems of governance, risk management and internal control, there have been no threats to internal audit independence that would impact on the provision of an annual opinion statement and the annual opinion has concluded reasonable assurance over the systems of governance, risk management and internal control.

Eleven risk based audits have been completed in the year of which two have resulted in substantial assurance, eight have resulted in reasonable assurance and one has resulted in a limited assurance assessment. There were no reviews which resulted in a no assurance assessment. The delivery of the internal audit work for 2019/20 has been impacted by the global Covid-19 pandemic which has taken hold during this accounting period. As a result, it was not possible to complete the review of Non-Domestic Rates which was scheduled to commence just at the time that the pandemic was declared.

Contract Management had received an assessment of limited assurance, with the conclusion being that the basic elements were in place for procurement, however, with a number of recommendations being made to improve the process, particularly with contract management. Two urgent, nine important, five routine and one operational action points had been identified. Officers have accepted all recommendations and have started delivery of the action points including training and development, the establishment of a Contract Management Board and ensuring the Contracts Management Register is comprehensive and up to date.

### **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 2018/19 in the Audit Findings Report. The 2019/20 Audit Findings Report is expected to be presented to Audit Committee on 19 November 2020 alongside the Council's audited accounts.

## **6. Impact of Covid-19**

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 have been made under the Coronavirus Act 2020. The Coronavirus Act 2020 postponed the scheduled local and mayoral elections and Police and Crime Commissioner elections due to take place on 7 May 2020 until 6 May 2021. These regulations enable all local authority meetings to be held remotely, including allowing remote access by members of the public, and they removed the requirement for an annual meeting for 2020/21.

Alternative arrangements have been used in relation to the decision-making process:

- **Emergency Non-Executive Decision-Making:** as set out in the Constitution the Chief Executive has authority to take such action on behalf of the Council as appears to him necessary in circumstances that prevent obtaining the necessary authority from an appropriate committee following consultation with the Leader of the Council or the Chairman of the committee concerned. (Where the Chief Executive is acting in an emergency and it involves spending outside any budgetary provision, then any expenditure must be reported to Full Council at the first available opportunity.)
- **Emergency Delegated Executive Decision-Making:** In addition, on 25 March 2020, Cabinet noted a decision by the Leader to delegate to the Chief Executive any executive decision in this Covid-19 global pandemic emergency or that is urgent or that would be necessary or expedient, or which would otherwise protect the Council's interests, including key decisions.

A revised calendar of meetings, appointments and cancellation of the Annual General Meeting were approved as an Emergency Decision by the Chief Executive, in consultation with the Chair of Council, in May 2020. Emergency decisions have also been made regarding non-attendance at Council meetings and to add a remote meetings protocol to the Council constitution. Virtual Cabinet, Committee and Scrutiny meetings have been introduced. All decisions, both emergency and by virtual meeting, are published on

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2019/20 (H)**

the Council website and the live-stream of virtual meetings are available alongside the minutes on the Council website.

The majority of Council services have continued throughout although some services were suspended for a short period (e.g. green waste collection) or the collection of fees and charges has been suspended (e.g. car parking charges). At the request of Government, the Council has administered various schemes including grants and rate relief for business ratepayers and a hardship scheme for council taxpayers. The Council is consulting on new policies to reflect the new situation.

A full report on the financial impact to date was considered by Cabinet on 20 May 2020 and revised budgets are recommended for approval by Council on 30 June 2020. This report has requested the use of £2m of general reserves to meet the projected cost of Covid-19. The financial impact is being regularly reviewed and updates will be reported as part of the financial update process during 2020/21.

The date of the preparation and approval of the Council's annual accounts, including this Annual Governance Statement, has been put back under the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 with draft accounts to be signed off by 31 August instead of 31 May and the deadline for the final publication from 31<sup>st</sup> July to 30 November.

### **7. Annual Governance Statement Action Plan**

The 2018/19 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 years. No new significant governance issues have been raised through the 2019/20 review but the response to Covid-19 has identified some new actions. Progress on the action plan will also be reported annually through the AGS.

### **8. 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 6/11/2020

*G Archibald*

Giles Archibald  
**Leader**  
**South Lakeland District Council**

Date 6/11/2020

# 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 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Finance Lead Specialist and S151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### 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 and S151 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 and S151 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.

In our evaluation of the Finance Lead Specialist and S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the

period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, investment properties and pension fund property investments**

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, investment properties and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in Note 4, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

### **Other information**

The Finance Lead Specialist and S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 Edition' 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, 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 and S151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, 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 and S151 Officer. The Finance Lead Specialist and S151 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Finance Lead Specialist and S151 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 and S151 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, 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 2020.

### **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 April 2020, 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 2020.

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

2 December 2020





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