

South Lakeland District Council

Audited Statement of Accounts & Annual Governance Statement

South Lakeland the best place to live, work and explore



2020/21
Audited



SOUTH LAKE LAND DISTRICT COUNCIL
Statement of Accounts and Annual Governance Statement 2020/21

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Statement of Accounts 2020/21
LAYOUT AND EXPLANATION OF DOCUMENT (A)

Overview

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2020/21, 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 2020/21. 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.

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 levy 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 on behalf of the Council, to review the accounts of the Council, prepares a report of that review which is included with the final audited Financial Statements.

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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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, despite the challenge of dealing with the Covid-19 pandemic, 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 2020/21. 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 2020/21.
- 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 2020/21. 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 (Amendment) Regulations 2021 which require the draft Accounts to be submitted for audit by 31 July 2021 rather than 31 May 2021 and the timeline for the conclusion of the audit is now 30 September 2021 rather than 31 July 2021. These Accounts were submitted to the External Auditor on 18 June 2021 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 2019/20 accounts audit. The recommendations were relatively minor in nature and three out of the four have been adopted by the Council during the year. The outstanding recommendation concerns the preparation of a post-implementation review of the Customer Connect programme to ensure the benefits articulated in the original plan have been delivered against and to identify areas where the governance and financial management arrangements over savings delivery can be further strengthened. This review was underway with a draft report prepared in October 2020 but work on the report has been paused as the Council was required to respond to a new Covid-19 lockdown with new support packages to be delivered to businesses and residents in the district. It is expected the report will be produced during the 2021/22 financial 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 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 Council has adopted the CIPFA Financial Management Code. This code provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. The first full year of compliance with the code is 2021/22 but authorities are expected to demonstrate how they

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are working towards compliance in 2020/21. More details are included in the Annual Governance Statement.

The 2020/21 budget along with the MTFP financial projections were presented for approval at the Full Council meeting on 25 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:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
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)
Net Service Budget	10,951.4	10,789.4	10,779.8	10,807.2	11,170.8
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
Net Projected Deficit (Surplus) February 2020	0.0	1,055.3	1,444.0	1,846.6	2,573.3

The budget and future years' 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.

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 2021.

Organisational Overview

Like communities and councils all over the country, 2020-21 has been one of the most challenging ever for South Lakeland District Council and its residents and businesses. It is a year dominated by the Covid-19 emergency and all that this has meant in our response. For example, co-ordinating the community response, organising business support and grants, managing the outbreak at local level through test and trace, managing the impacts on our visitor economy and National Parks and planning for recovery and rebuilding. We have transformed the way we work with remote working and virtual meetings whilst maintaining performance and delivery of essential services and business as usual as well as tackling climate change, biodiversity loss and the impact of financial inequalities and improving playgrounds.

We are also in the middle of a Local Government review process, initiated by Government, which could result in very different arrangements for local government in South Lakeland, Cumbria and North Lancashire.

Many businesses have been adversely affected by Covid-19, a significant proportion of employees in the District have been furloughed. It is important that affected businesses are supported as lockdown eases. Brexit has meant new arrangements and processes for many of our local businesses as well as issues around farm subsidies and rural land management.

The need for urgent action on climate change and related issues such as biodiversity has become ever more pressing and local authorities need to be in the vanguard of the response. The past year has also seen increased concerns about exclusion, inequality and social justice.

South Lakeland is a Council which relishes a challenge. We have maintained high quality services throughout, we have adopted a Council Plan which sets out an ambitious vision, priorities to tackle our key challenges and a road map to deliver on them. We are helping to lead the response to climate

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change in Cumbria. We are working through the Local Government review process to create an optimal solution for Local Government based on the requirements for improved services, local support and a credible geography (The Bay), delivering all local government services with South Lakeland and its communities at its heart.

We continue to progress our innovative transformation programme. We are simplifying and streamlining our processes every day and our new customer reception and Town Hall in Kendal opened in May 2021.

With a fit for purpose plan and a transformed organisation South Lakeland District Council has risen to the most extreme of challenges and is able to face the future with confidence.

South Lakeland District

South Lakeland lies at the heart of the Morecambe Bay Economic Region between our two partner authorities of Lancaster and Barrow. Together, we are a critical mass with a population of more than 320,000, more than 13,000 businesses, 18,000 advanced manufacturing jobs and two universities, aligned with economic, environmental, cultural and health geographies.

South Lakeland is home to 105,000 people. It is the northern part of the Morecambe Bay area and the southern, and most outward looking, part of Cumbria and the Lake District. It includes the historic towns of Kendal and Ulverston, much of the central Lake District including Windermere, Grasmere and Conistone, parts of the Yorkshire Dales and a long stretch of England's coastline from the Arncliffe Silverdale Area of Outstanding Natural Beauty to the Duddon Estuary.

Whilst renowned for its visitor economy, South Lakeland has a strong and diverse economic base with strengths in advanced manufacturing, food and drink, electronics, marine technologies, environmental technologies, culture, construction and creative industries. It lies on the M6 and the West Coast Main Line. Kendal is less than 3 hours from London and an hour and a half from Manchester Airport by rail. Connections to the knowledge economy are primarily through the nearby University of Lancaster and the University of Cumbria which has campuses in Ambleside and Lancaster as well as Kendal and Furness Colleges.

What does South Lakeland District Council do?

South Lakeland is currently a lower tier local authority. This means that its statutory functions include being the Local Planning Authority responsible for planning for new housing and other development through the Local Plan and determining applications for planning permission. The Lake District and Yorkshire Dales National Parks have their own planning powers which apply to parts of the District within them. It is also the licencing authority with a variety of environmental and public health functions including food safety, taxi licencing, events management and pollution control. Although Social Housing is provided and managed in in South Lakeland by Housing Associations, the Council remains the Local Housing Authority, responsible for housing policy and strategy, enabling new affordable housing and preventing homelessness. As the Billing Authority, South Lakeland is responsible for collecting Council Tax although only about 12% is retained by SLDC. Most of the rest goes to Cumbria County Council. The Police and Crime Commissioner and Parish and Town Councils also get a share. South Lakeland is also the waste collection authority for domestic waste and recyclables. At present, the recycling and processing of the collected waste is the responsibility of Cumbria County Council

In addition to its statutory role, South Lakeland has the responsibility of Civic and Community leadership and undertakes a great deal of activity over and above its statutory role. These include economic development including business promotion, business support, promoting business and infrastructure development and delivery of economic development projects. These also include the management of many parks, open spaces, cemeteries recreation and leisure facilities and support for cultural facilities, activities and events in the District.

At the present time, Cumbria County Council is responsible for Adult social care provision, Children's Services, libraries, education and roads /highways etc. The funding and provision of most healthcare services is the responsibility of Morecambe Bay Clinical Commissioning Group (CCG). Proposals for Local Government Reform may result in South Lakeland forming part of a unitary authority which will combine upper (County) and lower (District) functions.

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South Lakeland District Council – The Organisation

South Lakeland District Council has 51 elected members representing 18 wards and employs around 400 people.

- The Council has a Leader and Cabinet model and the Cabinet together with our Councillors provide overall political direction and champion their communities. A new Leader, Councillor Jonathan Brook, was elected at Council in May 2021 to replace Councillor Giles Archibald who had serviced as Leader for five years;
- The Council has one Overview and Scrutiny Committee to consider strategy, 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.
- Our leadership team, strategists, housing, planning, economic development assets and public health specialists and forward planners map out the route and build the relationships we need to achieve our vision and priorities.
- Our statutory and customer facing services – such as public health, housing, planning, waste collection and recycling and car parking management are oriented to delivering on our and the community's priorities and achieving the vision .
- Our locality and customer services team is embedded in our communities, helping deliver services locally, listening to people and feeding back peoples' views into improving our services.
- Our support services (finance, legal, IT, human resources, property services and assets) provide much of the resource, technology and know how to succeed.

Following the transformation through Customer Connect, South Lakeland no longer has vertical departmental structures. Instead the Council is organised into customer service and locality workers who work closely with communities and customers. Their work is enabled by case managers who draw on the skills of high level specialist services dealing with strategy, finance, legal services, HR, IT, planning, housing and environmental health. Changes in reporting lines and job titles have been agreed from May 2021 for two members of leadership team.

In addition to SLDC members, South Lakeland is represented by 18 County Councillors, some of whom are also District Councillors. Most places in South Lakeland will have a Town or Parish Council which will run some services locally – like allotments, some playgrounds, flower beds etc. Smaller communities may only have a Parish meeting and there will be local Councillors and representatives on these.

Membership of Partnerships

A key area of activity is influencing others and South Lakeland is part of many partnerships including economic partnerships like the Cumbria Local Enterprise Partnership who promote economic development and business across Cumbria, and the Council's Joint Committee with Barrow and Lancaster to promote the Lancaster and South Cumbria Economic Region. South Lakeland is also a key member of the partnerships which manage the Lake District and Yorkshire Dales National Parks as well as the Arnsdale and Silverdale Area of Outstanding Natural Beauty. Another critical partnership is the Zero Carbon Cumbria partnership which seeks to achieve a Carbon Neutral Cumbria and the Morecambe Bay Partnership which seeks to ensure the whole of the Bay's environment is well managed

There are a range of housing partnerships including the Housing Advisory Group, the Cumbria Housing Supply Group, Cumbria Choice and the Cumbria Housing Group – which coordinate approaches to housing delivery and housing policy.

There are partnerships around health such as the Morecambe Bay Population Health Strategic Group, the South Lakeland Health and Wellbeing Partnership and the Cumbria Public Health Strategy implementation group. There are also partnerships around social issues such as the South Lakeland Equality and Diversity partnership, the South Cumbria Community Safety Partnership and the South Lakeland Building Financial Resilience Partnership.

2020/21 has seen the Councils full participation with the Cumbria Local Resilience Forum, participating in the strategic and tactical response to manage the impact of the pandemic.

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South Lakeland's Vision and Priorities

The Council's priorities are set out in the Council Plan adopted in February of this year. The Council's vision is of South Lakeland as '**The Best Place to Live, Work and Explore**'. It has four priorities. These are

- 1) Working Across boundaries – Delivering Sustainable Regional Growth across Morecambe Bay. This is about working with partner authorities to deliver sustainable economic growth, high quality jobs and infrastructure across the Morecambe Bay economic region;
- 2) Delivering a Balanced Community – A South Lakeland for All Ages; one of the biggest issues facing South Lakeland is an ageing population and a shrinking workforce. The Council is seeking to retain and attract economically active peoples in the District and ensure that the District meets the needs of older people;
- 3) Delivering a Fairer South Lakeland – A South Lakeland for Everyone; this is about reducing disadvantage, reducing income, housing and health inequalities and reducing poverty in the District.
- 4) Addressing the Climate Emergency – A Carbon Neutral South Lakeland; this is about responding to the Climate crisis in terms of reducing its own emissions, in terms of working to achieve a carbon neutral District and in terms of being resilient to the impacts of climate change.

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.

Progress on Working across Boundaries

The Council seeks to place South Lakeland at the centre of a Morecambe Bay Economic Region at the cutting edge of delivering sustainable economic growth in the North of England with homes, high value jobs, world class knowledge and exceptional quality of life. 2020 to 2021 has seen major progress in our work across the sub-region. Key areas include

- The establishment of a Lancaster and South Cumbria Joint Committee to work together on economic development, climate change, health and inequality across the Morecambe Bay sub-region.
- The development and submission to Government of a Bay Prosperity and Resilience Strategy setting out the task of Government to support a Growth Deal.
- The development and submission to Government of a proposal for a Morecambe Bay Unitary Council, with the support of all three Morecambe Bay authorities as part of the Government's invitation to review Local Government in Cumbria.
- Securing of funding between SLDC, the Highways Agency, Cumbria County Council and Cumbria LEP to deliver a new roundabout on the A590(T) at Swarthmoor to enable 1000 new homes;
- Commissioning of consultants to prepare a Master Plan for the strategic GSK site in Ulverston
- Extensive early engagement and stakeholder consultation on the South Lakeland Local Plan;

Housing delivery has been significantly impacted by Covid-19 with only around 120 dwellings completed in 2021. In its early stages, lockdown restrictions required the complete cessation of construction work and housing market activity. Ensuring safe spacing on sites has also had an impact. However the housing market has remained strong and at the present time there are 15 large housing schemes under construction in the District outside the National Parks totalling 1135 dwellings of which around 400 will be affordable.

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Progress on Balanced Communities

The Council aims to deliver a more balanced South Lakeland which houses a growing working age population and provides the best possible quality of life for all age groups. Progress has included:

- The completion of 79 affordable homes and the completion of the landmark 500th affordable home to rent as part of the Council's ambitious programme to deliver 1000 new affordable homes to rent;
- The conversion of the former Ulverston Town Hall to deliver 17 affordable homes to rent;
- Continuation of a programme of improvements to play areas including the completion of a new play area at North Lonsdale Road, Ulverston;
- Commencement of the construction of 104 new extra care homes in Oxenholme
- The granting of self or custom build status for 16 new homes;
- Provision of workspace for local businesses through Mintworks 2 as part of the Kendal Town Hall refurbishment.

Affordable housing delivery has slowed as a result of the pandemic. However we are confident that delivery will pick up in 2021-2 and at the present time sites currently under construction outside the National Parks will deliver around 399 new affordable homes.

Progress on Fairer South Lakeland

30. The Council aims to deliver a District where everyone has access to the same opportunities, life chances and potential to lead safe, healthy, happy and fulfilled lives. Key areas include:

- Distribution of more than £114.7 million in Covid-19 business support grants
- Declaration of a poverty emergency;
- Reestablishment of the Financial Resilience Partnership to co-ordinate a community based response to poverty and inequality;
- households assisted with energy efficiency measures through Cold to Cosy scheme;
- 495 households assisted with housing costs through Discretionary Housing payments;
- Development of emergency additional temporary accommodation for homeless families at Grange over Sands;
- Effective management of the Covid-19 outbreak keeping Covid-19 cases significantly below national average for most of the pandemic;
- Support for 4,951 low income households through the Council Tax discount scheme;
- Issue of grants to support community and voluntary sector organisations respond to the pandemic;
- Supporting the provision of disabled toilet facilities in areas of need through the Changing Places scheme;
- Support for refugee resettlement.

The Covid-19 crisis has given renewed impetus to this priority. South Lakeland is very dependent on the visitor economy and town centres. These have resulted in very high levels of people on furlough, people falling into financial difficulty and small businesses being placed under pressure.

Progress on Carbon Neutral South Lakeland

32. The Council is working to achieve a more beautiful, quieter and cleaner district leading the way to Net Zero with more comfortable, warmer and safer homes, cleaner air and water, more wildlife, more trees and more jobs in a thriving sustainable economy and an environmental quality and quality of life that is recognised as the best in England. Progress includes:

- The adoption of a target and action plan for the Council to become carbon neutral by 2030 and for the District to become carbon neutral by 2037;
- Support for a Cumbria wide target of a carbon neutral Cumbria by 2037 which is now influencing Cumbria County Council, Cumbria Districts and the Lake District National Park Authority and many stakeholders across the County;
- The installation of new energy monitoring software;
- The installation of solar panels on Council buildings;

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- Commencement by the Environment Agency of the construction of new flood defences in Kendal;
- Support for the replacement of Gooseholme Bridge in Kendal;
- Grant support for 10 local climate change projects across the District including peatland restoration, woodland management, cycle training and tree planting;
- Supporting the County Council and partners in preparing a local cycling and walking improvement strategy for Kendal.

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 were almost empty during lockdown but overflowing during the summer, leisure centres and play areas closed and the majority of staff worked 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 approves the budget and Council tax annually in February for the financial year starting in April. When the budget for 2020/21 was approved in February 2020 the figures did not anticipate costs of Covid-19. Additional budgets were included in the approved budget for May 2020 and further updates were reported during 2020/21 to Cabinet and Council.

Covid-19 has had a massive impact on the finances of the Council with over £134m of additional support from Government to the Council and South Lakeland area. Additional budget of £2.0m for Covid-19 costs was approved by Cabinet and Council in June 2020, funded by use of General Reserve. In February 2021, when the latest Covid-19 projections were reported alongside the budgets for 2021/22, the expected net cost of Covid-19 was reduced to £1.3m. The final net cost of Covid-19 in 2020/21 is now estimated as £259k, mainly due to additional grants and contributions received. In February 2021 it was expected that Covid-19 will cost the Council around £1.3m in 2020/21 and just under £4m over 5-years:

Estimated Cost of Covid-19	£m
2020/21	1.26
2021/22	0.55
2022/23	1.00
2023/24	0.81
2024/25	0.20
Projected cost of Covid-19 (Feb 2021)	3.82

This projection will be updated over the next few weeks as part of the Medium Term Financial Plan process.

The cost includes lost income from business rates, council tax and other income such as car parking fees. Additional budgets for Covid-19 were approved in June 2020 and regular updates on the financial position have been provided during the year. The Council has received £1.4m of general

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Government grant to assist with its costs and a further £1.8m of grant to partially offset lost income. The overall net General Fund had a net overspend of £48k for 2020/21 including Covid-19.

The Council continues to deliver its vision via sustainable and cost effective services. The Council's net revenue service budget for 2020/21 (excluding Covid-19) totalled £22.7m. Efficiencies totalling £1.55m were included in the 2020/21 budget 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 (£9.1m in 2020/21) followed by retained business rates (£5.4m for 2020/21) and income from car parking (circa £3.9m including Government sales, fees and charges grant). The Council also generates over £1.4m of gross income from Lake Windermere.

This narrative review and Statement set out in more detail the financial performance and position for 2020/21 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 despite the impact of Covid-19.

2020/21 FINANCIAL PERFORMANCE

Revenue: Summary

The table below summarises the final overall General Fund outturn against budget for 2020/21. The overall net General Fund had a net overspend of £48k for 2020/21 including an overspend due to Covid-19 of £259k. This is considerably lower than the projected overspend, mainly due to the late receipt of Government grants. A number of announcements were made after budgets were last reviewed in February with the latest announcement, of £280k of administration grant, on 12th May.

	2020/21 Approved Budget	2020/21 Working Budget	2020/21 Actual	2020/21 Variance - Covid-19	2020/21 Variance Business as Usual	2020/21 Carry- forward
	£000	£000	£000	£000	£000	£000
Net Service Expenditure:						
Strategy, Innovation and Resources	5,731.8	8,066.2	5,161.7	(1,615.4)	(1,289.1)	264.5
Customer and Locality Services	2,201.5	2,365.9	2,290.9	0.0	(75.0)	0.0
Specialist Services	9,565.6	(355.3)	(66.7)	105.4	183.2	118.5
Case Management	1,560.5	1,951.0	1,851.7	(17.0)	(82.3)	42.4
Delivery and Commercial Services	3,687.4	6,626.2	6,295.1	(288.7)	(42.4)	130.7
Net Service Budget	22,746.8	18,654.0	15,532.7	(1,815.7)	(1,305.6)	556.1
Corporate items	(7,680.1)	(2,019.7)	13,550.2	13,987.6	1,582.4	0.0
Net Revenue Budget	15,066.7	16,634.3	29,082.9	12,171.9	276.8	556.1
Retained Business Rates	(5,512.9)	(5,512.9)	(17,456.0)	(11,943.2)	0.0	0
Council Tax	(9,121.4)	(9,121.4)	(9,170.6)	0.0	(49.2)	0
Rural Services Delivery Grant	(433.0)	(433.0)	(433.5)	0.0	(0.5)	0
Council Tax Hardship Grant	0.0	(487.1)	(487.1)	0.0	0.0	0
Covid-19 Grant	0.0	(1,080.5)	(1,283.6)	(203.1)	0.0	0
Council Tax Income Guarantee Grant	0.0	0.0	(252.1)	(252.1)	0.0	0
Net General Fund	(0.6)	(0.6)	0.0	(226.5)	227.1	556.1

The majority of the variance relates to running costs, mainly supplies and services and contracted services. The variance on supplies and services relates to additional payments relating to Covid-19 grants which are offset by additional grants.

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	2020/21 Working Budget £000	2020/21 Actual £000	2020/21 Variance £000
Employees	15,324	15,633	309
Running Costs	107,847	140,007	32,160
Capital	4,607	4,603	(4)
Gross Expenditure	127,778	160,243	32,465
Income	(109,124)	(144,710)	(35,586)
Net Service Variances	18,654	15,533	(3,121)
Non-Service Net Expenditure (see next table for details)	(16,629)	(16,275)	354
Net Overspend transferred from General Reserve	2,025	(742)	(2,767)

The General Fund working balance includes a number of transactions made to reflect statutory accounting practices. The net impact of these will be a net increase in the contribution to General Fund working balance of £742k. Major variances included:

- a. The Council retains a share of income from business rates (properly known as National Non-Domestic Rates or NNDR). The amount retained has increased although there are some very large variations mainly due to additional retail, hospitality and leisure relief, how this is funded by Government and timing of when the Council is required to account for this income and expenditure. 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 2020/21 was £741k.
- b. Slightly lower than budgeted contributions to capital programme: this is mainly due to timing of capital expenditure originally budgeted in 2020/21.
- c. There have been a number of changes to the budgeted transfers to and from reserves. These mainly relate to differences in timing between the recognition of income and expenditure between years.
- d. Higher than budgeted income from interest despite very low interest rates due to Covid-19 related delays in capital and other spending.

Description	Variance £000	£000
Carry forward requests	(556)	
Other service variances	<u>(2,565)</u>	
		(3,121)
Decreased net interest payable		(116)
Adjustments relating to capital grants		(47)
Increased Minimum Revenue Provision		22
Support to capital programme		(30)
Additional income from Non-Domestic Rates after contribution to pool		(11,943)
less transfer to NNDR surplus reserve for timing differences		11,701
Accounting for Collection Fund and Council Tax		(49)
Additional grant		(456)
Net adjustments to reserves relating to carry forwards		556
Covid-19 use of reserves not used		(2,027)
Other net increases in contributions to reserves		<u>4,766</u>
Net Overspend transferred from General Reserve		(742)

The costs of Covid-19 have changed considerably over the financial year, as summarised below:

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Covid-19 Summary	Approved Budget June 2020	MTFP July 2020	Feb 2021 Projection	Outturn
	£000	£000	£000	£000
Additional employee costs	135	180	534	320
Additional costs offset by grant	20	20	150	489
Other additional running costs	692	852	879	671
Interest adjustments	0	223	223	0
Reduced income	2,280	3,811	2,508	2,898
Total cost SLDC	3,127	5,086	4,294	4,379
Grants to SLDC	(1,101)	(3,240)	(3,031)	(4,152)
Net cost SLDC	2,027	1,846	1,263	226
Additional support paid - business etc.	78,623	79,167	104,282	114,697
Additional support received - business etc.	(78,623)	(79,167)	(104,282)	(114,697)
Net cost grants	0	0	0	0
Total cost	2,027	1,846	1,263	226

As can be seen, the major cost to the Council related to lost income which has been offset by Sales, Fees and Charges grant from the Government which covered 75% of losses after a threshold of 5% of budgeted income. Additional costs offset by grant include the costs of works to Kendal Leisure Centre and additional temporary staff including Covid-marshals.

The Council, on 28 February 2014 approved the General Fund working balance should be set at £1.5m and that any surplus above this level should be transferred to the General Reserve. As part of the audit of the 2019/20 accounts a minor error was spotted and adjusted which reduced the working balance by £26.2k from £1.5m to £1.47m. Accordingly the working balance has been increased back to £1.5m and the remaining net underspend after all other transfers to reserves, totalling £741k, has been transferred from the GF working balance to the General Reserve.

The full details of service variances were reported through the out-turn report to Cabinet on 23 June 2021. An update will be provided to Cabinet to update the out-turn report for changes made to the 2020/21 figures arising from the audit of the draft accounts.

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 2020/21 is summarised below:

Capital Spending	£000
Braithwaite Fold	33
Car Parks	132
Grange LIDO and promenade	47
Homeless accommodation	154
IT equipment and software	81
Play Areas	267
SLH/KTH refurbishment	2,430
Vehicles	1,519
Other (under £100,000)	93
Total	4,756

The major expenditure relates to the refurbishment of Kendal Town Hall and South Lakeland House: assets which interconnect. Works on Kendal Town Hall were largely completed in April 2021 and the building re-opened in May 2021. Works to South Lakeland House continue and are expected to be completed in late 2021/22.

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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 2020/21 were as follows:

	2020/21
REFCUS	£000
Affordable housing grants	381
Burton Heritage Scheme	35
Community Housing Fund	18
Disabled Facilities Grants	262
Locally Important Projects	35
Right to Buy replacement	248
Other (under £100,000)	0
Total	979

The capital programme was funded as follows:

Capital Funding	£000	%
Capital Receipts	(668)	12
Grants and Contributions	(895)	16
Revenue contributions	(645)	11
Prudential borrowing	(3,527)	61
Total to support capital	(5,735)	100

The total capital spend of £4.7m in 2020/21 compares to the total budget of £18.9m approved in February 2020 and £8.2m in the latest up-dated capital programme in March 2021. There were no material underspends within the programme and variances of £2.0m are requested for re-profiling at Cabinet on 23 June 2021. A number of factors have influenced the timing of spend in the year, these include:

- Covid-19 delays including lockdown causing access delays, additional costs due to access issues or availability of materials e.g. Grange Lido or reduced projected income requiring reviews of schemes e.g. Kendal car parking study and Ulverston Leisure Centre;
- 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.
- There was 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	Approved Feb 2020 £000	Actual 2020/21 £000	Comments
Grange Lido, Grange Prom and Coastal Communities Fund (includes £1.1 million for Grange Promenade) and Grange Regeneration	5,264.5	47.0	Tenders closed July 2020: extension to funding deadline requested. Revised scheme approved Council 23 March 2021.
Kendal Town Hall/South Lakeland House	3,789.9	2,429.5	Works largely completed to Kendal Town Hall May 2021: works continuing on South Lakeland House.
Housing Investment Fund: Loans to Housing Associations	3,000.0	0.0	Scheme now being reviewed.

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Project	Approved Feb 2020 £000	Actual 2020/21 £000	Comments
Vehicle & Plant Programme (inc bins and boxes)	2,346.0	1,518.8	Some delay due to vehicle manufacturers being closed.
Disabled Facilities Grants	661.0	262.5	Internal works were on hold - mainly working on properties of vulnerable people who have been advised to shield
Affordable & Empty Homes, Town Centre Properties.	260.0	629.0	Includes schemes carried forward from 2019/20 not in Feb 2020 capital programme
New Ulverston Leisure Centre	250.0	0.0	On hold. Recommence when we have clearer view of the impact of Covid-19 on leisure provision.
Homeless Accommodation for Families	230.7	154.0	Now complete and occupied
Schemes below £100K	402.6	694.0	Procurement, tenders still progressing.
Total Capital Expenditure	16,204.7	5,734.8	
ERDF funded flood defence works	2,670.0	930.6	Some delay expected to works programme: extension to funding deadline requested from MHCLG: not classified as SLDC capital expenditure as Council is acting as agent for MHCLG / Environment Agency
Total Capital Programme	18,874.7	6,665.4	

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 projects. 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.

2020/21 FINANCIAL POSITION

Changes to the Balance Sheet

Overall the Balance Sheet shows a decrease in the net worth of the Council of £0.5m. The major movements from 31 March 2020 to 31 March 2021 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 £2.16m in the year from net assets of £21.00m to net assets of £23.16m. The level of net assets was already higher than usual in April 2020 because 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 £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. This money from Highways England was repaid during 2020/21 for Highways England to undertake scheme preparation. The Council issued additional business rate reliefs in 2020/21 and received 100% cash grant from Government to fund these. However, the Council is only required to recognise its 40% own share of this relief. As a result it is due to repay £16m of this grant

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in 2021/22 so it is shown as a creditor. This is linked to the £13m NNDR collection fund debtor where the Council is required to recognise these grants and the reliefs the grants have funded in different years. This results in a deficit on the NNDR collection fund at 31 March 2021 but the 40% SLDC share of additional grant is recognised as income in the GF and has been transferred to the NNDR surplus reserve at 31 March 2021 to be used to match the deficit from April 2021 onwards. The cash balance also includes £2.9m of monies received from Government for payment of Covid-19 support which was unspent at 31st March 2021 and which is offset by a creditor to reflect the requirement to repay unspent grants at the balance sheet date.

Non-current assets

Non-current assets (including Assets Held for Sale) have increased in year by £0.250m. This is explained by £4.75m of capital additions less £1.42m of revaluations, £3.04m of depreciation and £0.03m 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. This resulted in the valuations for property and pension fund assets as at 31 March 2020 being given a 'material valuation uncertainty' classification, things have improved since then and the valuations as at 31 March 2021 do not have the same level of uncertainty and have not been given this classification.

Where 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 or developed 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. An example, is the investment in 2015 to create the Mint Works, which came about due to the Council recognising that there was a lack of start-up units for businesses in the district and stepping in to meet this need. The Council continues to hold 25 investment properties with a fair value of £3.847m, all of which are within the boundaries of SLDC. After expenses the Council earned £0.214m in income from occupiers, creating a return on investment of 5.56% down from 8.32% in 2019/20. The return on investment has fallen as a result of not being able to let one site due to the national and local lockdowns for the Covid-19 pandemic.

Pension Fund

The Council provides pensions to its staff through the Cumbria Local Government Pension Scheme administered by Cumbria County Council. The scheme is a defined benefit scheme with some benefits linked to the final salary of members at retirement and some benefits linked to career average pay. The liabilities of the fund at the valuation date is equal to the present value of the future benefit payments. The main assumptions in valuing the liabilities are disclosed in Note 35 to the Accounts.

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

The net pension liability has increased by £2.9m with the liability in the top half of the balance sheet at £39.2m. A review of note 35 shows that this balance is quite volatile year on year and the 2020/21 increase partially offsets a decrease in 2019/20. These are mainly due to estimated future market forecasts of interest rates, inflation, future salary increases and fund performance generally:

- a slight reduction of 0.3% p.a. in the discount rate assumption from last year and an increase of 0.6%p.a. in the CPI inflation, the combined effect of this is to significantly increase liabilities depending on the duration and other features of each employer's profile.
- generally positive investment returns (reflecting significant gains in equity markets but with some losses in some other asset classes).

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.

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Significant Provisions

Amounts set aside for credit loss allowances are maintained at prudent levels, adjusted for local knowledge. The total amount at 31 March 2021 was £2.26m, up from £2.06m at 31 March 2020 and are netted off the debtors amounts. While the majority of the increase reflects the balances outstanding at 31 March 2021, the Council has considered the potential impact of Covid-19 on the ability of debtors to meet their liabilities.

The only specific provision in 2020/21 was for Non Domestic Rates appeals, the Council's share of which has increased from £488k to £1,123k. 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 increase mainly relates to new claims for reductions in rateable value relating to Covid-19. The Government changed the law on 25th March 2021 to exclude Covid-19 being a factor on which RV reductions can be claimed. However primary legislation is required to make this change retrospective and the bill is still working its way through Parliament. If this change does become law then the appeal provision will be overstated by round £0.5m and will be adjusted in 2021/22.

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 £1.49m which left a cumulative deficit of £2.27m. The Non Domestic Rates account made a deficit of £32.502m resulting in a cumulative deficit of £29.964m. 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. Significantly higher reliefs were granted in 2020/21 through the Covid-19 retail, leisure and hospitality relief scheme. The Government have also increased the funding for Small Business Rate Relief. The deficit/surplus is shared between the precepting authorities and has been taken into account in setting budgets for 2021/22, the Council's share of the Non Domestic Rates in-year deficit being £13.0m (40% of £32.5m). 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. Additional NNDR grant funding received in 2020/21 of £11.7m has been transferred to the surplus reserve.

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 £1.12m being set aside into the Non-Domestic Rate Pool reserve in 2020/21 to support future economic development in the District.

Council Tax

The Council increased the 2020/21 Council Tax by 2% in line with the expectations of Central Government, contained within the finance settlement, equal to an increase of £3.91 on a Band D property to £199.54 for district council services.

Cash flows

The cash and investment position has increased £3.77m over the year to £32.0m. This is predominantly due to the receipt of large grant payments, mainly from MHCLG for Covid-19 where the monies are earmarked for specific purposes, expected to be spend during 2021/21 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 expected to use £2m of reserves to fund the costs of Covid-19 but this has not been required mainly due to additional grants from Government to offset additional costs and lost income. Carry forwards on revenue of £0.56m and re-profiling of capital of over £16m are expected to utilise resources which have been set aside in 2020/21 although not all the capital expenditure is expected to fall in 2021/22.

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

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several years and had no plan to take on new loans during 2020/21. 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 2020/21 is available via the Cabinet 23 June 2021 agenda on the Council's website. Key areas are as follows:

Economy

There were 57,000 recorded jobs (excluding self-employed) in South Lakeland in 2019. Of these, Wholesale & Retail (19%) and Accommodation & Food (17%) made up the largest proportion of employment. As of March 2021, there were 9,057 active businesses trading in South Lakeland, up slightly from 8,944 pre-Covid levels in March 2020. South Lakeland's Gross Value Added (a measure of economic productivity and contribution to GDP by all industries, broken down by sector) was £2.562bn in 2018, when it was last recorded. The Real Estate (19%) and manufacturing (16%) sectors represent the largest contributions in terms of GVA. South Lakeland had 19.01m visitors in 2019, up from 18.54m the year before. This was worth £1.37bn to the local economy, supporting 16,409 FTE jobs. This represents a significant proportion of the tourism visitor share in Cumbria. Data on visitor numbers for 2020 is not yet available. South Lakeland's workplace based median annual earnings were £24,762 in 2020, which on average is slightly up from previous years but below the county and national averages. Resident based earnings in 2020 were £29,435 which is higher than previous years and low when compared to county and national averages. In South Lakeland 42.3% of the population (aged 16-64) is qualified to NVQ4+, while 2.8% of its population (aged 16-64) has no qualifications. This makes South Lakeland's population highly qualified in both a county and national context. The population of South Lakeland grew slightly in 2019 to 105,100. However, the number of working age people (aged 16-64) decreased again to 59,600. This proportion of working age people (57%) is lower than county and national averages and continues a gradual decline in the number of working age people living in South Lakeland over the past 10 years.

As a result of Covid-19, whilst South Lakeland has a very high increase between March 2020 and February 2021 in claimant count for job seekers allowance and universal credit (searching for work category) of 205%, one of the highest in the UK where the national increase is 117%. However this is from a very low base (from 665 or 1.1% in March 2020 to 2,030 or 3.4% in February 2021) and unemployment remains the lowest in the County and below national averages. As of February 2021, South Lakeland had a claimant rate of 9.5% for Universal Credit which is low when compared with County and national averages.

In South Lakeland 11,800 employments had been furloughed as at February 2021. This number and take up rate of 26% remains significantly higher than any other local authority in Cumbria. Up until January 2021, 3,900 claims had been made to the Self Employment Income Support Scheme by South Lakeland residents – the highest number of people when compared to other districts.

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 2020/21 was 44.0%, a slight reduction from the level in 2019/20 of 44.3%. Green waste influences this result significantly and the green waste collection service was suspended for several weeks during 2020/21 as Covid-19 reduced staff availability and required changes in procedures to ensure social distancing measures were met. 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.

The Council aims to have reduced its operational carbon footprint by 100 tonnes of carbon, from a baseline of 3,162 tonnes. For 2019/20 the total carbon emitted was 2,400 tonnes – a reduction of 137 tonnes from 2,537 tonnes in 2018/19. As well as reducing emissions the Council prevents 5,500 tonnes of emissions by reusing, recycling and composting nearly all of the waste collected across the District.

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The Quality of Life Survey 2017 shows that 72% of residents reported good or very good health. (Source: Strategy, Innovation and Resources Directorate) Measure: By 2025, the health inequality gap for residents in South Lakeland's 18 most deprived communities will be narrowed resulting in the improved healthy life expectancy above the national average of 81 years.

The latest data covering 2017-19 shows that life expectancy from birth for women is 85.3 years (England 83.4 years) and for men is 81.5 years (England 79.8 years.) Life expectancy appears to have plateaued in recent years. The health related quality of life for older people has fluctuated from a score of 0.772 in 2012/13 to an improved score of 0.788 in 2016/17. Annual results for the previous six years are better than the North West and England. Results have improved since 2015 when South Lakeland had 4 Lower Super Output Areas (LSOA's) in the 30% most health deprived LSOAs in England. Results for 2019 show that this number has now reduced to 1 area or 1.69% of the District. Health related deprivation for South Lakeland is the lowest in Cumbria. LSOAs are a set of geographies designed specifically for statistical purposes. LSOAs have an average population of 1,600 people.

South Lakeland continues to be an area of low crime. During 2020/21 there were 4296 crimes in total – a reduction on the previous year. It is expected that Covid-19 lockdowns have influenced this result. Domestic abuse incidents during 2020/21 were similar to the previous years, however for Q4 2020/21 a reduction can be seen when compared to the same quarter in the previous three years - Covid-19 lockdowns may have influenced this result.

Housing

A cumulative total of 529 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 53,628 in 2019/20 (53,486 in 2018/19). The number of long term empty homes fluctuates, and while there had been an overall reduction from 1,079 (2011) to 980 (2019) there has been an increase in 2020/21 to 1,039. The total number of long term empty homes fluctuate as homes are brought back into use - and as properties become empty. Homes become empty for a number of reasons - all of which are relevant to South Lakeland, for example: people needing care, properties becoming un-inhabitable due to widespread flooding and properties being inherited. Second homes also increase results until they are identified.

During 2020/21 the number of homeless households living in temporary accommodation decreased from 39 in Q1 to 33 by Q4. The reduction is in spite of to the exceptionally high level of cases presenting during the initial Covid-19 pandemic. During 2020/21 the Council has invested in homelessness prevention activity and has also converted a property into additional accommodation. 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 – 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 2020 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 and has coped well with the initial impact of Covid-19 with Government assistance.

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

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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 2023. 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.

A balanced budget position was set for 2021/22. Current estimates for future years project deficits of around £2m each year from 2021/22 which combines assumptions around reduced funding assumptions and the impact of Covid-19.

The table below shows the revised projections from February 2021 including the medium term impact of Covid-19:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Service Expenditure	25,297.9	24,009.4	24,023.1	24,454.9	24,732.1
Service Income	(13,301.6)	(12,632.5)	(12,953.7)	(13,241.5)	(13,622.8)
Net Service Budget (excluding capital charges)	11,996.3	11,376.9	11,069.4	11,213.4	11,109.3
Council Tax	(9,285.4)	(9,564.8)	(9,846.7)	(10,131.1)	(10,417.9)
Business Rates	(4,001.9)	(2,260.2)	(2,161.2)	(2,302.0)	(1,956.7)
Government Grant	(809.2)	(145.7)	(145.7)	0.0	0.0
Interest Receivable/Payable	661.0	693.5	762.1	833.9	856.2
Minimum Revenue Provision	1,187.5	1,379.4	1,395.5	1,656.5	1,911.6
Other Corporate Items	251.7	889.4	1,036.9	858.0	733.2
(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2021 onwards	0.0	2,368.5	2,110.3	2,128.7	2,235.7

If the impact of Covid-19 is excluded the position is much more favourable:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Net projected deficit	0.0	2,368.5	2,110.3	2,128.7	2,235.7
Direct COVID-19 impact on budget deficits:	550.7	1,001.5	810.4	195.2	0.0
Reinstatement of reserves used in 2020/21	315.8	315.8	315.8	315.8	0.0
Total COVID-19 impact	866.5	1,317.3	1,126.2	511.0	0.0
Net projected (surplus)/deficit November 2020 without COVID-19 impact	(866.5)	1,051.1	984.2	1,617.8	2,235.7

The Government is reviewing the planned restructuring of Council funding, which has been delayed until at least April 2022, recognising that the impact of Covid-19 has reduced the ability of both Government and local government to respond to changes in funding.

The Council's working balance at 31 March 2021 is £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

Potential Risk	£0
Potential Additional Costs (excluding pay)	651
Pay, vacancies and pensions	237
Savings not achieved	651
Changes to existing government funding regimes	1,990
Other Loss of Income	515
Risk Management	500
Emergency Contingency	1,000
Recommended Risk Base Reserve Balances	5,544

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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 2021 the projected level of general reserves were:

Projected Level of Reserves at March 2021	£000
- General Fund Working Balance	1,500
- General Reserve	3,274
Projected Level of Reserves (General Fund)	4,774

This calculation suggested at the time that the overall projected balance on general reserves was lower than desirable and reflects the expected use of £2m of General Reserve to fund Covid-19 in 2020/21. The actual use of General Reserve was £48k. The budgets for 2021/22 onwards included an element for rebuilding the General Reserve which will no longer be required.

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 2021, were:

	31/03/2020 £000	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000
General Reserves	(6,464)	(4,778)	(4,511)	(4,983)
Capital Reserves	(2,348)	105	332	203
Earmarked Reserves	(5,267)	(16,476)	(5,245)	(4,737)
Total Reserves	(14,079)	(21,149)	(9,424)	(9,517)
Working Balance	(1,500)	(1,500)	(1,500)	(1,500)
Total Reserves and Working Balance	(15,579)	(22,649)	(10,924)	(11,017)

Due to a difference between accounting requirements, under which the Council recognises government grant in the year when it is spent, and the statutory requirements to recognise deficits from business rate income in the following year there is a large timing adjustment relating to additional business rate reliefs issued in 2020/21. The Council has issued this additional relief relating to retail, hospitality and leisure properties and received grant of £28.1m of which this Council's share is 40% or £11.235m. However, the business rate deficit will not be recognised until 2021/22. The additional income for 2020/21 of £13m has been added to the NNDR Surplus/Deficit reserve and will be used in 2021/22, 2022/23 and 2023/24 to offset the additional business rate deficit: the reserve balance projection assumes the reserve will be fully used in 2021/22.

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.

The capital programme approved in March 2021 is summarised below broken down into the following main projects and categories of spend:

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	2020/21 Latest	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2020/21 to 2025/26
	£m	£m	£m	£m	£m	£m	£m
Kendal Flood Defence scheme	0.52	2.16	2.27	0.38	0.00	0.00	5.34
South Lakeland House / Kendal Town Hall refurbishment	2.69	2.45	0.00	0.00	0.00	0.00	5.14
Ulverston Leisure Centre replacement	0.00	0.25	6.00	2.95	0.00	0.00	9.20
Cross-a-Moor roundabout: contributions and guarantees / warranties	0.00	4.53	0.00	0.00	0.00	0.00	4.53
Vehicles, Plant and Bins	1.50	1.49	0.82	2.05	2.24	0.48	8.57
Grange Lido, Prom and associated works	0.23	6.21	0.00	0.00	0.00	0.00	6.43
Housing Related Schemes	2.15	4.49	3.86	0.60	0.60	0.60	12.31
Other items	1.12	3.66	0.56	0.17	0.15	0.15	5.80
Total Capital Programme	8.21	25.24	13.51	6.15	2.99	1.23	57.32

Around £12m 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 £5.3m flood prevention scheme in Kendal with the Environment Agency which is 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 £5.1m to the refurbishment of South Lakeland House and Kendal Town Hall. The Council was planning to borrow in years after 2019/20 to fund these projects with revenue savings arising from these schemes offsetting the costs of borrowing: due to Covid-19 related delays in deliver it has not been necessary to borrow in 2020/21. The capital programme also includes £2.8m towards the refurbishment of Grange Lido as part of a £6.43m enhancement scheme in Grange-over-Sands.

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.

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 2021 there were eight significant strategic risks which are monitored and reported on a quarterly basis and which were above the level of tolerance (10 at 31 March 2020):

- 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

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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 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 but these have been mitigated by additional Government support.
- 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 - e.g. 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: Potential new projects and initiatives are subject to a pre-assessment to measure priority. The Commissioning Strategy will provide a robust basis for the evaluation of business cases for new projects. Council Plan priorities have been reviewed in latest version of Council Plan Feb 2021. Commissioning Strategy being worked into full practice. Response to Covid pandemic still necessitates redirection of resources.
- 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. Programme Board manages risks via the Customer Connect Risk Log. The Covid-19 pandemic increased risk to the next phase of the programme, though this risk is now receding as focus on transition returns.
- 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. Business Continuity is key for meeting statutory obligations and mitigations are in place within strategic and operational plans. This risk has increased due to the Covid-19 pandemic.
- 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, £8.1m for the Cross-a-Moor junction

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improvement scheme and Cumbria Choice Based Lettings. Also £106m of support to businesses through grants related to Covid-19.

In addition there are eight 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;
- Unintended impacts of efficiencies and service changes;
- Waste Collection – Reversing Manoeuvres;
- Cyber Security incident;
- Strategy documents may no longer meet post pandemic needs;
- Significant contracts – risk for service provision due to the economic impacts of Covid-19. There is also potential for budget implications.

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 has approved a Customer Strategy and a Commissioning Strategy to review the need for services and 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 but work on these has been delayed due to Covid-19.

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 has been 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;

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- Leases as Lessor for periods under 10 years accounted for as operational and not finance. Leases over 10 years subjected to assessment.

UPDATE

Since the accounts were originally prepared in June 2021 the Government has announced the outcome of the review of the structure of local government in Cumbria. The Secretary of State has now concluded the consultation process and has announced his decision, subject to Parliamentary approval, to implement the proposal for two unitary councils on an East-West geography for the whole of the administrative county of Cumbria. The Secretary of State now intends to seek Parliamentary approval for the necessary secondary legislation to implement this two unitary East-West proposal and it is intended that a draft Structural Changes Order will be laid in Parliament “around the turn of the year” and that it will include provision for the appropriate transitional arrangements, including for elections in May 2022 for the future unitary councils, and for those councils to assume the full range of local authority responsibilities on 1 April 2023. Elections to existing councils scheduled for May 2022, including those postponed from May 2021 will be cancelled. Although South Lakeland District Council will cease to exist, the assets, liabilities and staff of this Council will transfer to the new Council and there will be continuance of service delivery between this Council and the new Council.

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 2020/21 was good with the Council's balance sheet ending the period in a strong position.

The Council recognises the uncertainty over its future form, 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 was a major strategic initiative. Its successful implementation was key to delivering a greater level of customer engagement and service particularly the prompt and efficient distribution of Covid grants. In addition, substantial financial efficiencies have been delivered. The future savings targets are challenging 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 virtually all members of the Finance team have had to work from home for the whole year as a result of the various lockdowns. 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)

September 2021

SOUTH LAKELAND DISTRICT COUNCIL STATEMENT OF RESPONSIBILITIES 2020/21 (C)

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure 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 ensure 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 2020/21

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 2021 and its income and expenditure for the year ended 31 March 2021

Helen Smith

Helen Smith

Date 30/09/2021

Finance Lead Specialist (Section 151 Officer)

SOUTH LAKELAND DISTRICT COUNCIL

Statement of Accounts 2020/21

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 2020/21 (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.

Unless otherwise stated the convention used in this document is to round amounts to the nearest thousand pounds and throughout the statement all credit balances are shown with parentheses e.g. (1,234).

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	Events after the Balance Sheet Date

OTHER

Policy 4	Revenue and Expenditure Recognition
Policy 5	VAT

MOVEMENT IN RESERVES

Policy 6	Reserves
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COMPREHENSIVE INCOME AND EXPENDITURE

Policy 7	Employee Benefits
Policy 8	External Interest
Policy 9	Revenue Grants and Contributions
Policy 10	Charges to the Comprehensive Income and Expenditure Statement for the Use of Non-Current Assets
Policy 11	Revenue Expenditure Funded from Capital Under Statute

BALANCE SHEET

Policy 12	Fair Value Measurement
Policy 13	Property, Plant and Equipment
Policy 14	Intangible Assets
Policy 15	Non-Current Asset Disposal
Policy 16	Heritage Assets
Policy 17	Investment Properties
Policy 18	Definition of Capital Expenditure
Policy 19	Capital Grants and Contributions
Policy 20	Leases
Policy 21	Financial Assets
Policy 22	Financial Liabilities
Policy 23	Cash and Cash Equivalents

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ACCOUNTING POLICIES (D)

Policy 24	Bad Debts
Policy 25	Provisions
Policy 26	Contingent Liabilities
Policy 27	Contingent Assets

COLLECTION FUND

Policy 28	Local Taxation and BIDs
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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.

SOUTH LAKELAND DISTRICT COUNCIL
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ACCOUNTING POLICIES (D)

Verifiable

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

Timely

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

Primacy of Legislative Requirements

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

2. ESTIMATION AND PRIOR YEAR ERRORS

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

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

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

3. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the balance sheet date, these are then adjusted in the Accounts and disclosures.
- Those where conditions arose after the Balance Sheet date. No adjustments are made in the Accounts but where it is considered the events would have a material effect then 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.

Where the Council is acting as an agent of another organisation, the amounts collected for that organisation are excluded from revenue.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2020/21
ACCOUNTING POLICIES (D)

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.

Payment terms are standard reflecting 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. 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.

6. 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 note 8 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 note 8 to the Accounting Statements.

SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2020/21
ACCOUNTING POLICIES (D)

7. EMPLOYEE BENEFITS

During Employment

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

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

Termination Benefits

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

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

Retirement Benefits

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 based on the indicative rate of return on AA rated corporate bonds.
- 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:

Component	Detail	Accounting Treatment
Service Costs		
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

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Component	Detail	Accounting Treatment
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 administration costs	Other costs of scheme administration	Debited to other operating expenditure
Re-measurements		
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	Accounted for in the Pensions Reserve and as part of Other Comprehensive Income and Expenditure.
Re-measurements (return on plan assets, actuarial gains and losses)	Return on plan assets not included in net interest. Changes in net pensions liability arising because events have not coincided with assumptions made at last actuarial valuation or changes to actuaries' assumptions split between demographic and financial assumptions	Accounted for in the Pensions Reserve and as part of Other Comprehensive Income and Expenditure.
Contributions		
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

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.

8. EXTERNAL INTEREST

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

9. 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.

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

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

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

Community Infrastructure levy

The Council has elected to charge and collect the planning charge known as a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments) with planning consent. The income from the levy will be used to fund a number of infrastructure projects, including transport, flood defences and schools, to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development, in the Comprehensive Income and Expenditure Statement, in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure.

10. 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 amortisation. 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 amortisation are therefore replaced by MRP in the Movements in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

11. 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.

12. FAIR VALUE MEASUREMENT

Where asset and liability values on the balance sheet reflect their current value, these will be measured at Fair Value unless a different measurement basis is specified in the Code. This is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction, between market

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participants, at the measurement date. The fair value measurement assumes that the transactions to sell the asset or transfer the liability takes place either:

- 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 at the measurement date

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

Level 3 – unobservable inputs for the asset or liability

13. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment

Recognition 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.

Componentisation

Where property, plant and equipment assets have major components whose cost are significant in relation to the total cost of the item, then the components are recognised, valued and depreciated separately.

Revaluations

Revaluations of non-current assets are 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.

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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 off set 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.

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.

14. 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.

15. 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 or 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.

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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.

16. 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.

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.

17. 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, production of goods or is Held for Sale.

Investment Properties are initially included 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.

18. 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.

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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 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.

19. CAPITAL GRANTS AND CONTRIBUTIONS

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

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

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

Repayments of Grants and Contributions are shown as a revision of an accounting estimate and off-set 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.

20. 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.

21. FINANCIAL ASSETS

The classification of financial assets is determined by the cash flow and business model characteristics of the assets and is determined at the time of initial recognition.

Financial assets are classified into the following categories:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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 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.

For most of the loans that the Council has made, 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 to 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.

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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.

22. 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.

23. 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

24. 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.

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25. PROVISIONS

The Council makes general provisions for significant liabilities or losses, which are likely or certain to be incurred and a reliable estimate can be made of the amount of the obligation. 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.

26. 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

27. CONTINGENT ASSETS

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

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

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 accrual 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.

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The Core Financial Statements 2020/21
MOVEMENT IN RESERVES STATEMENT (E)

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	(16,404)	(5,743)	(1,460)	(23,607)	(20,831)	(44,438)
Total Comprehensive Expenditure and Income	2,355	0	0	2,355	(7,205)	(4,850)
Adjustments between accounting basis & funding basis under regulations*	(1,504)	(549)	(1,463)	(3,516)	3,514	0
Increase / Decrease in Year*	851	(549)	(1,463)	(1,161)	(3,691)	(4,850)
	(15,553)	(6,292)	(2,923)	(24,768)	(24,522)	(49,288)
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	(0)	(2)
Balance at 31 March 2020*	(15,553)	(6,292)	(2,923)	(24,768)	(24,522)	(49,290)

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020	(15,553)	(6,292)	(2,923)	(24,768)	(24,522)	(49,290)
Total Comprehensive Expenditure and Income	(1,176)	0	0	(1,176)	1,733	554
Adjustments between accounting basis & funding basis under regulations	(12,972)	(762)	(3,877)	(17,611)	17,612	1
Increase / Decrease in Year	(14,151)	(762)	(3,877)	(18,790)	19,345	555
	(29,704)	(7,054)	(6,800)	(43,558)	(5,177)	(48,735)
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	(2)	(2)
Balance at 31 March 2021	(29,704)	(7,054)	(6,800)	(43,558)	(5,179)	(48,737)

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

	2019/20 £000	2020/21 £000
Capital	(10,430)	(13,854)
Revenue	(15,553)	(29,704)
Pensions	36,335	39,243
Other unusable reserves	(59,642)	(44,422)
Total	(49,290)	(48,737)

* adjusted for a £2k rounding difference.

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (E)

2019/20

2020/21

Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,311	(928)	2,383	Case Management		2,797	(945)	1,852
2,567	(127)	2,440	Commercial and Locality		2,418	(127)	2,291
13,505	(8,238)	5,267	Delivery and Commercial		14,332	(7,586)	6,746
19,073	(17,523)	1,550	Specialist Services		27,387	(27,454)	(67)
8,084	(1,076)	7,008	Strategy Innovation and Resources		6,729	(1,567)	5,162
46,540	(27,892)	18,648	Cost of Services	11	53,663	(37,679)	15,984
			Other Operating Income and Expenditure				
	(1,366)		Loss/(Gain) on the Disposal of non-current Assets	18			(619)
	1,647		Parish Council Precepts				1,736
	92		Parish Council Tax Reduction grant				92
	75		Pension Administration Costs	35			79
	448						1,288
			Financing and Investment Income and Expenditure				
	567		Interest Payable	26			567
	886		Net interest payable on net pension liability	35			844
	(289)		Investment Interest income	26			(96)
	700		Changes in fair value of Investment Properties	23			341
	(614)		Income received on Investment Properties	23			(617)
	267		Expenses incurred on Investment Properties	23			166
	1,517						1,205
			Taxation and Non-Specific Grant Income				
	(10,506)		Council Tax Income	Cfund			(10,640)
	(17,680)		Non domestic rates Income	Cfund			(4,572)
	2,058		Non-domestic rates levy	Cfund			1,000
	15,112		Non-domestic rates tariff	Cfund			15,359
	(1,089)		Income from Cumbria NNDR Pool	Cfund			(413)
	(3,885)		S31 Grant	Cfund			(15,829)
	(434)		Other Government Grant				(2,456)
	(1,834)		Recognised Capital Grants and Contributions				(2,105)
	(18,258)						(19,656)
	2,355		(Surplus) or Deficit on Provision of Services				(1,179)
	(3,070)		(Surplus) or Deficit on revaluation of Non-Current Assets	33e			(273)
	423		Non-Current Asset impairment charged to Reval Reserve	33e			786
	0		Movement in fair value of Financial Assets Available for Sale	33f			0
	(4,559)		(Surplus) or Deficit on re-measurement of Net Defined Benefit Pension Liability	33b			1,220
	(7,206)		Other Comprehensive Income and Expenditure				1,733
	(4,851)		Total Comprehensive Income and Expenditure				554

SOUTH LAKE LAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
BALANCE SHEET (E)

1 April 2019	31 March 2020			31 March 2021
£000	£000			£000
		NON CURRENT ASSETS		
		Property, Plant and Equipment	Note 18	
59,158	60,663	Other Land & Buildings		57,141
5,570	5,558	Vehicles, Plant & Equipment		6,360
3,951	3,892	Infrastructure		3,837
427	375	Community Assets		383
93	57	Assets under construction		3,394
103	270	Surplus Assets		270
69,302	70,815			71,385
1,795	1,795	Heritage Assets	22	1,876
4,594	4,184	Investment Property	23	3,847
556	576	Intangible Assets	20	460
51	51	Long Term Debtors		51
76,298	77,421	TOTAL NON CURRENT ASSETS		77,619
		CURRENT ASSETS		
18,999	19,000	Short Term Investments	26	26,000
6,538	8,984	Short Term Debtors	28	25,970
1,914	9,233	Cash and Cash Equivalents	27	6,002
170	0	Assets Held for Sale	21	50
27,621	37,217	TOTAL CURRENT ASSETS		58,022
		CURRENT LIABILITIES		
(7,095)	(15,661)	Short Term Creditors	29	(33,738)
(797)	(64)	Grant Receipts in Advance	29	0
(853)	(488)	Provisions	30	(1,123)
(8,745)	(16,213)	TOTAL CURRENT LIABILITIES		(34,861)
95,174	98,425	TOTAL ASSETS LESS CURRENT LIABILITIES		100,780
		NON CURRENT LIABILITIES		
(12,800)	(12,800)	Long Term Borrowing	26	(12,800)
(37,936)	(36,335)	Other Long Term Liabilities (Net Pension Liability)	35	(39,243)
(50,736)	(49,135)	NON CURRENT LIABILITIES		(52,043)
44,438	49,290	NET ASSETS		48,737
(23,606)	(24,767)	Usable Reserves	8	(43,558)
(20,832)	(24,523)	Unusable Reserves	33	(5,179)
(44,438)	(49,290)	TOTAL RESERVES		(48,737)

Signed Helen Smith
Finance Lead Specialist (Section 151 Officer)

Date 30/09/2021

Signed Stephen Coleman
Chair of Audit Committee. Approved by Audit Committee

Date 30/09/2021

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
CASH FLOW STATEMENT (E)

2019/20 £000		2020/21 £000
	REVENUE ACTIVITIES	
(2,355)	Net surplus or (deficit) on the provision of services	1,179
	Adjusted for non-cash items:	
3,438	Depreciation/amortisation/impairments	3,624
0	Adjustments for movements in fair value of investments	0
(2,091)	(Increase) / Decrease in Debtors	(17,826)
7,974	(Increase) / Decrease in Creditors	5,562
2,958	Pension Liability	1,688
(365)	Contribution to/(from) Provisions	635
25	Carrying amount of non-current assets sold	32
700	Movement in Investment Property values	341
12,639	Total adjustment for non-cash items	(5,944)
(3,353)	Adjusted for investing and financing activities	(5,272)
6,931	Net Cash Flow from Operating Activities	(10,037)
	INVESTING ACTIVITIES	
(2,580)	Purchase of PPE, investment property and intangible assets	(3,965)
(52,490)	Purchase of short-term and long-term investments	(54,000)
757	Proceeds from the sale of PPE, investment property and intangible assets	59
52,489	Proceeds from short-term and long-term investments	47,000
2,242	Other receipts from investing activities	6,053
418	Net Cash (Inflow) / Outflow from Investing Activities	(4,853)
	CASH FLOW FROM FINANCING ACTIVITIES	
(30)	Other receipts from financing activities	11,659
0	Other payments for financing activities	0
(30)	Net Cash Flow from Financing Activities	11,659
7,319	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,231)
1,914	Cash and cash equivalents at start of accounting period (note 27)	9,233
9,233	Cash and cash equivalents at end of accounting period (note 27)	6,022
7,319	MOVEMENT PER THE BALANCE SHEET	(3,231)

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
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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MOVEMENT IN RESERVES

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BALANCE SHEET

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Note 20	Intangible Assets
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Note 32	Contingent Assets
Note 33	Unusable Reserves

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

Note 34	Related Parties
Note 35	Defined Benefit Pension Schemes

SOUTH LAKELAND DISTRICT COUNCIL

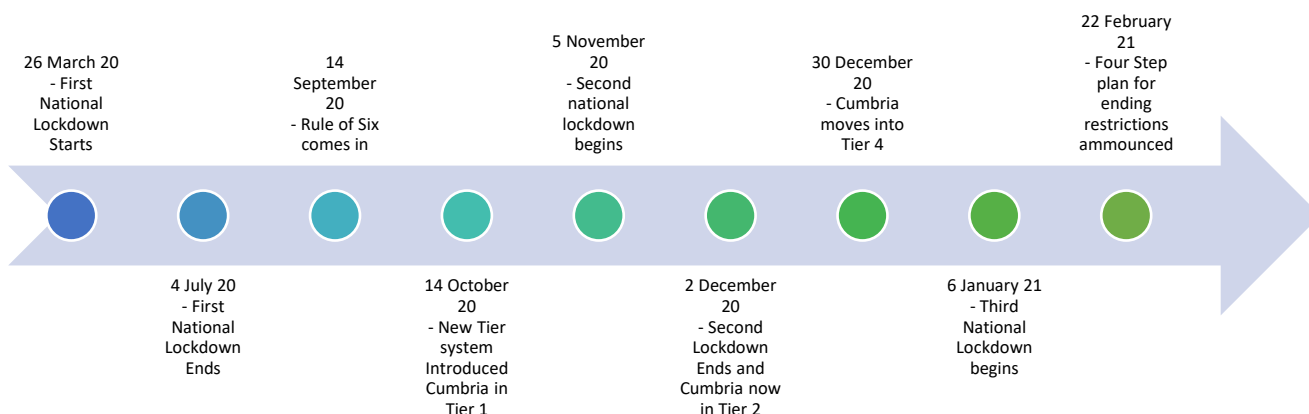
The Core Financial Statements 2020/21

NOTES TO THE ACCOUNTS (F)

OVERVIEW

1. Covid-19

The main event impacting the Council in 2020/21 has been the Covid-19 pandemic and the actions taken by Central Government to contain the virus. Below is a timeline of the main events



As part of the response to help business and individuals a number of support measures were announced. Including a number of grant schemes which South Lakeland District Council have administered on behalf of Central Government. Below is a table listing the grant schemes and the volume and amount paid out by the Council in 2020/21.

	Funding Received 2020/21 £000	Distributed 2020/21 £000	Unused Grant Returned 2020/21 £000	Balance 31 March 2021 2020/21 £000	Number of individual grants distributed
Coronavirus Small Business Rate Relief	(74,844)	38,990	12,929	0	3,897
Coronavirus Retail Grants		22,925			1,412
Closed Business Grants	(6,747)	6,139	0	(608)	4,044
Local Restrictions Support Grant Closed		19			47
Tier4 Closed Business Grant		1,096			4,142
January Local Restrictions Support Grant Closed	(21,973)	9,174	0	(2,111)	4,153
February Local Restrictions Support Grant Closed		9,573			4,120
Christmas Support Payments	(70)	34	0	(36)	105
Closed Business Lockdown Payment	(20,232)	18,468	0	(1,764)	4,153
Total processed as agent	(123,866)	106,418	12,929	(4,519)	26,073
Coronavirus Discretionary Grant Fund	(3,911)	3,746	165	0	523
Test and Trace Support Payments	(194)	90	0	(104)	153
Additional Restrictions Grant	(2,692)	2,349	0	(343)	1,468
Local Government Support Grant Open	(1,642)	1,775	0	133	1,620
Total processed as principal	(8,439)	7,960	165	(314)	3,764
Grand Total	(132,305)	114,378	13,094	(4,833)	29,837

SOUTH LAKE LAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

Of these grants, £106m of payments are where the Council were administering national schemes as an agent of central government, these have been accounted for under agency rules and are included in Note 13 Agency Services.

The remaining £8.43m in grants received allowed the Council to determine some of the eligibility criteria and therefore were judged to be South Lakeland schemes and are included within the Council's income and expenditure in net cost of services with £8.2m included in Specialists and £0.08m in Strategy Innovation and Resources and Note 17 Grant Income after adjusting for balances owed to and from the Government.

For all grants sums received but not paid these have been moved into 2021/22 and will either be paid out recipients or repaid to central government.

Support was also given to business through the Non Domestic Rates system, in the form of new and expanded reliefs. This reduced businesses rates bill and the amount of rates collectable by the Council in the NNDR Collection Fund. As the billing authority, South Lakeland District Council, administer the collection of Non Domestic Rates for the district and make payments to Cumbria County Council and Central Government for their shares based on estimates produced in January 2020. As a result of these payments and the reduction in year of collectable rates the final collection fund balance as seen in the Collection Fund Statement is an exceptional deficit of £32.5m of which the Council's share is £13m.

The Council's share of the exceptional deficit is held in the Collection Fund adjustment account reserve, as shown in note 33 unusable reserves, to be released in future years to the Comprehensive Income and Expenditure account. This would normally be released in one financial year but new legislation was introduced to protect Council tax payers from the impact of these exceptional deficits, this is done by enabling the deficit to be released over three years.

In addition to the impact on the Collection Fund the council has seen a reduction of its income from fees and charges. The Council has been able to claim compensation for lost fees and charges income from Central Government in the form of a Sales Fees and Charges Grant. Under this scheme the Council can claim back 75% of 95% of the difference between the Actual and Budgeted sales fees and charges income in 2020/21. With the first 5% of the lost income being absorbed by the Council along with £0.25 in every pound lost after this.

The table below summarises the impact of the lost income and additional costs incurred in 2020/21 resulting in a cost to the Council of just over £0.25m in.

	Outturn
Covid-19 Summary	£000
Additional employee costs	320
Additional costs offset by grant	489
Other additional running costs	671
Interest adjustments	0
Reduced income	2,898
Total cost SLDC	4,379
Grants to SLDC	(4,152)
Net cost SLDC	226
Additional support paid - business etc.	114,378
Additional support received - business etc.	(114,378)
Net cost grants	0
Total cost	226

SOUTH LAKE LAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

The pandemic and resulting lockdown have impacted economic and property markets across the country and around the world. This has resulted in increased estimation uncertainty in the valuations applied to physical and financial assets by valuers. This resulted in the valuations for property and pension fund assets as at 31 March 2020 being given a 'material valuation uncertainty' classification, things have improved since then and the valuations as at 31 March 2021 do not have the same level of uncertainty and have not been given this classification. For more details see note 4 Assumptions made about future and other major sources of estimation uncertainty, note 18 Property Plant and Equipment and Note 35 Defined Benefit Pension Schemes.

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:

- Definition of a Business: Amendments to IFRS3 Business Combinations
This is currently not applicable to the Council as we have no group accounts.

Both of the following reforms relate to the transition in the UK away from the London InterBank Offered Rate (Libor) to the Sterling OverNight Index Average (Sonia) by the end of 2021

- Interest Rate Benchmark Reform: Amendments to IFRS9, IAS39 and IFRS7
This concerns issues affecting financial reporting in the period before replacement of existing interest rate benchmarks with an alternative
- Interest Rate Benchmark Reform – Phase 2:-Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16.
This concerns issues that might affect financial reporting when an existing interest rate benchmark are replaced with an alternative.

The Council does not have any financial instruments that make use of interest rate benchmarks so the change will have no impact on its accounts.

3. Changes in Accounting Estimates, Accounting Policy and Prior Period Errors

In 2020/21 the accounting treatment of capital receipts was reviewed and as a result the treatment of certain capital receipts have been changed and require the restatement of the prior period accounts.

Annually since the transfer of the Council Housing Stock to South Lakes Housing in 2012, the Council has received annual receipts relating to the sale of Right-to-Buy homes and a vat shelter scheme. Under the terms of the agreement the amount due for each financial year is to be paid on 30 April following the year end. To date this has been treated as a normal capital receipt, however under correct accounting treatment income due but not received by 31 March each year should be treated as a deferred capital receipt and only applied to capital receipts once paid.

As a result the value of capital receipts have been overstated and the value of deferred capital receipts have been understated in the accounts. At 1 April 2019 Capital Receipts was £5,743k in useable reserves on the balance sheet and unusable reserves, which contain deferred capital receipts was £20,831k.

During 2019/20 deferred capital receipts of £923k were recognised and receipts of £1,216k were added to the reserve. At the 31 March 2020 the capital receipts reserve stood at £6,292k and unusable reserves at £24,768k. The impact on the 2019/20 accounting statements are shown below.

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

Prior Period Adjustment - Movement in Reserves Statement 2019/20

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	(16,404)	(6,665)	(1,460)	(24,529)	(19,909)	(44,438)
Prior Period Adjustment	0	922	0	922	(922)	0
Balance at 01 April 2019	(16,404)	(5,743)	(1,460)	(23,607)	(20,831)	(44,438)
Total Comprehensive Expenditure and Income	2,355	0	0	2,355	(7,205)	(4,850)
Adjustments between accounting basis & funding basis under regulations	(1,504)	(842)	(1,463)	(3,809)	3,807	0
Prior Period Adjustment	0	293	0	293	(293)	0
Increase / Decrease in Year	851	(549)	(1,463)	(1,161)	(3,691)	(4,850)
Balance at 31 March 2020	(15,553)	(6,292)	(2,923)	(24,768)	(24,522)	(49,288)
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	0	0
Balance at 31 March 2020	(15,553)	(6,292)	(2,923)	(24,768)	(24,522)	(49,288)

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

Prior Period Adjustment - Balance Sheet extract 2019/20

Original 01 April 2019 £000	Prior Period Adjustment £000	Restated 01 April 2019 £000	Original 31 March 2020 £000	Prior Period Adjustment £000	Restated 31 March 2020 £000				31 March 2021
							Note	£000	£000
44,438	0	44,438	49,290	0	49,290	NET ASSETS			48,737
						Usable Reserves	8		
(1,500)	0	(1,500)	(1,474)	0	(1,474)	Gen Fund Bal		(1,500)	
(14,904)	0	(14,904)	(14,079)	0	(14,079)	Gen Fund Earmarked Reserves		(28,204)	
(1,460)	0	(1,460)	(2,923)	0	(2,923)	Capital grants unapplied (inc CIL)		(6,800)	
(6,665)	923	(5,742)	(7,507)	1,216	(6,291)	Capital Receipts Reserve		(7,054)	
(24,529)	923	(23,606)	(25,983)	1,216	(24,767)	Usable Reserves	8		(43,558)
						Unusable Reserves	33		
212	0	212	186	0	186	Untaken Absence Reserve		186	
38,675	0	38,675	36,335	0	36,335	Notional Pensions Reserve		39,243	
(20,450)	0	(20,450)	(19,814)	0	(19,814)	Capital Adjustment		(19,285)	
(687)	0	(687)	(918)	0	(918)	Collection Fund Adjustment Account		12,264	
(37,615)	0	(37,615)	(39,052)	0	(39,052)	Reval Reserve		(37,107)	
0	0	0	0	0	0	Financial Instruments Adjustment Account			
(44)	(923)	(967)	(44)	(1,216)	(1,260)	Deferred Cap rec		(480)	
(19,909)	(923)	(20,832)	(23,307)	(1,216)	(24,523)	Unusable Reserves	33		(5,179)
(44,438)	0	(44,438)	(49,290)	0	(49,290)	TOTAL RESERVES			(48,737)

SOUTH LAKE LAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

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. 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.

The items in the Council's Balance Sheet at 31 March 2021 for which there could potentially be a material adjustment in the forthcoming financial year are:

Description	Detail	Consequences
Property Plant and Equipment (Balance Sheet values 31 March 21 £71.4 m 31 March 20 £70.8m)	<p>2019/20 valuations were reported on the basis of 'material valuation uncertainty' by the Council's valuers.</p> <p>However by the 2020/21 valuation date the property markets were deemed to be operating with sufficient volume and relevant evidence on which to base valuation judgements. Accordingly valuations are not reported as being subject to 'material valuation uncertainty' in 2020/21.</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>The impact of a 10% change in valuation of significant assets would result in £54k of 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 £3.765m from the (surplus) or deficit on revaluation of non-current assets, not charged to the revaluation reserve.</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>
Fair Value of investment properties (Balance Sheet values 31 March 21 £3.8m 31 March 20 £4.2m)	<p>The Council's external valuers use valuation techniques to determine the fair value of investment properties. 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 £0.38m. 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>

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

Description	Detail	Consequences
Arrears	At 31 March 2021, the Council had a net balance of £25m for short term debtors (£9m at 31 March 2020). Against this is an impairment allowance of £2.3m (£2m at 31 March 2020). The impairment allowance has increased at a slower rate than the balance of short term debtors as the £25m includes £13m in NNDR collection fund deficit collectable from Central Government which is not expected to be impaired.	If collection rates were to deteriorate, a doubling of the amount of the allowance for credit losses would require an additional £2.3m to set aside as an allowance.
Pensions Liability (Balance Sheet values 31 March 2021 £39.2m 31 March 2020 £36.3m)	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. Included within the assets of the pension fund are investments in direct and indirect property totalling £11.1m which is impacted in the same way as Property Plant and Equipment above.	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. Note 35 includes sensitivity analysis of the impact of changes in actuarial assumptions on plan assets and liabilities.

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.
- 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.

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2020/21
NOTES TO THE ACCOUNTS (F)

6. Material Items of Income and Expense

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

	2019/20 £000	2020/21 £000
Housing Benefit Payments (within Case Management)	14,583	14,250
Housing Benefit Subsidy (within Case Management)*	(14,595)	(14,140)
Car Park Income (within Delivery and Commercial)	(4,580)	(2,464)
Disabled Facilities Grant (within Specialists)	(736)	(851)
Disabled Facilities Grant spent (within Specialists)*	431	645
Lake Windermere Income (within Delivery and Commercial)	(1,438)	(1,392)
SLDC share of Right to Buy receipts (within surplus on disposal of non-current assets)	(1,148)	(364)
Recycling Credits (within Delivery and Commercial)	(1,452)	(1,494)
Economic Development Projects Grant (within Specialist)	0	(1,032)
Cross-a-moor Roundabout Contribution (within Specialist)	0	(925)
Community Infrastructure Levy (within Taxation and Non Specific Grant Income)*	(650)	(998)
Covid Grants (within Specialists and Taxation and Non Specific Grant Income (see note 1))*	(40)	(8,565)
Revaluation of Car Parking included within Other CIES	(114)	849
Revaluation of Public Offices (within Delivery and Commercial and Other CIES)	0	940
Downward revaluation of Braithwaite Fold Caravan Park within Other CIES	420	0
Revaluation of Recreation grounds within Other CIES	(488)	0
Revaluation of Leisure Centres within Other CIES	(1,205)	0
Revaluation of Investment Properties within other CIES	476	300

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

* 2019/20 figures provided for comparison with 2020/21, not previously shown in 2019/20 statement.

7. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Finance Lead Specialist on 18 June 2021.

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.

Since then, on 21 July 2021 the Secretary for State announced plans to implement the proposal for two Unitary Councils in Cumbria on an East-West geography split. It is intended that the necessary secondary legislation for the two new authorities to come into being from 1 April 2023 will be laid before parliament "around the term of the year". This will include arrangements for the transition between the existing 7 local authorities to the new authorities. Although South Lakeland District Council will cease to exist, the assets, liabilities and Staff of the Council will transfer to the new Council and there will be continuance of service between this Council and the new Council.

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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 31 March 2019 £000	Transfers out £000	Transfers in £000	Balance 31 March 2020 £000	Transfers out £000	Transfers in £000	Balance 31 March 2021 £000
General Reserve	(4,786)	135	(292)	(4,943)	48	(943)	(5,838)
Carry Forward Reserve	(391)	391	(202)	(202)	202	(440)	(440)
Statutory Duties Reserve	(98)	48	(100)	(150)	0	0	(150)
Debt Redemption Reserve	0	0	0	0	0	(30)	(30)
Economic Development Fund	(304)	65	(81)	(320)	81	0	(239)
Revenue Funds for Capital	(307)	20	(100)	(387)	256	(100)	(231)
Building Control Fee Income Reserve	0	11	0	11	173	(173)	11
Local Land Charges Reserve	0	9	0	9	24	(24)	9
Licensing Reserves	(39)	61	(93)	(71)	476	(571)	(166)
Second Homes Income Reserve	(92)	92	0	0	0	0	0
IT Replacement Reserve	(81)	138	(80)	(23)	58	(80)	(45)
LABGI (Local Authority Business Growth Initiative)	(5)	0	0	(5)	0	0	(5)
Local Arts Strategic Partnership Reserve	(30)	0	0	(30)	0	0	(30)
New Homes Bonus Reserve	(2,118)	459	0	(1,659)	138	(433)	(1,954)
General Fund Major Repairs Reserve	(155)	25	(150)	(280)	31	(150)	(399)
NNDR Surplus Reserve	0	0	0	0	0	(11,701)	(11,701)
Cumbria NDR Pool Income Reserve	(1,577)	323	(1,048)	(2,302)	75	(593)	(2,820)
Cumbria NDR Pool Volatility Reserve	(176)	176	(217)	(217)	0	(147)	(364)
Commutated Sums Reserve	(134)	1	0	(133)	19	(216)	(330)
LSVT Environmental Warranties	(282)	0	0	(282)	0	0	(282)
Customer Connect Reserve	(2,034)	1,221	0	(813)	23	0	(790)
Marshall Hooper Reserve	(37)	0	0	(37)	0	0	(37)
Personal Financial Resilience Fund	(25)	5	(33)	(53)	9	(42)	(86)
Climate Change Reserve	0	6	(200)	(194)	111	0	(83)
Improving South Lakeland Reserve	0	0	(30)	(30)	0	0	(30)
Neighbourhood Plans	0	0	0	0	0	(24)	(24)
Council Tax Hardship Grant	0	0	0	0	0	(76)	(76)
Tax Income Guarantee Scheme	0	0	0	0	0	(252)	(252)
Community Housing Fund	(2,233)	265	0	(1,968)	367	(220)	(1,821)
Total Earmarked Revenue Reserves	(14,904)	3,451	(2,626)	(14,079)	2,091	(16,216)	(28,204)
Other Reserves							
Usable capital receipts	(6,665)	549	(175)	(6,291)	668	(1,431)	(7,054)
CIL Fund Reserve	(503)	129	(741)	(1,115)	(84)	(913)	(2,112)
Capital Grants Unapplied	(957)	1,295	(2,146)	(1,808)	1,041	(3,921)	(4,688)
GF Working balance	(1,500)	0	26	(1,474)	0	(26)	(1,500)
Total Usable Reserves	(24,529)	5,244	(5,424)	(24,767)	3,716	(22,507)	(43,558)

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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- *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.
- *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.
- *NNDR Surplus Reserve* – timing gap between recognising Section 31 grant and recognising offsetting NNDR collection fund deficits.
- *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 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* – To fund climate change work initially approved as part of 2020/21 budget
- *Improving South Lakeland Reserve* – to provide match funding for initiatives that are not otherwise covered by budgets or reserves.
- *Neighbourhood Plans Reserve* – grant received to be spent on neighbourhood planning, including referenda
- *Council Tax Hardship Grant Reserve* – grant received to be used for assisting those in need
- *Tax Income Guarantee Scheme Reserve* – grant received to be used to offset the shortfalls in council tax and NNDR from April 2021 due to the impact of Covid-19
- *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
2019/20						
Capital Adjustment Account						
<i>Reversal of items recognised in the CIES</i>						
Amortisation of intangible fixed assets	(147)	0	0	(147)	147	0
Depreciation	(2,898)	0	0	(2,898)	2,898	0
Impairment/valuation 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
<i>Items not recognised in the CIES</i>						
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
Capital grants/CIL credited to CIES	1,834	0	(2,758)	(924)	924	0
Adjustments involving Capital Receipts						
Transfer of non-current asset sales proceeds	1,391	(175)	0	1,216	(1,216)	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	(923)	0	(923)	923	0
Adjustments involving the Pensions Reserve						
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
Collection Fund Adjustment Account NDR	279	0	0	279	(290)	0
Collection Fund Adjustment Account CTax	(48)	0	0	(48)	48	0
Accumulated Absences Account	26	0	0	26	26	0
Adjustments between accounting basis & funding basis under regulations	(1,502)	(549)	(1,463)	(3,514)	3,514	0

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2020/21	General Fund Balances £000	Capital Receipts Reserve £000	Capital Grants/CIL Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Capital Adjustment Account						
Reversal of items recognised in the CIES						
Amortisation of intangible fixed assets	(139)	0	0	(139)	139	0
Depreciation	(2,907)	0	0	(2,907)	2,907	0
Impairment/revaluation losses to I&E	(578)	0	0	(578)	578	0
Movement in market value of Investment Properties	(341)	0	0	(341)	341	0
Revenue funded from Capital under Statute (REFCUS)	(979)	0	0	(979)	979	0
REFCUS Grants	2,860	0	(2,562)	298	(298)	0
Capital grants applied	0	0	597	597	(597)	0
Value of non-current assets sold	(32)	0	0	(32)	32	0
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	807	0	0	807	(807)	0
Capital expenditure financed from revenue	645	0	0	645	(645)	0
Capital grants/CIL credited to CIES	2,059	0	(2,059)	0	0	0
Adjustments involving Capital Receipts						
Transfer of non-current asset sales proceeds	651	(214)	0	437	(436)	1
Use of Capital Receipts to fund capital expenditure	0	668	0	668	(668)	0
Financing of payments to Capital receipts pool	0	0	0	0	0	0
Transfer from deferred receipts on receipt of cash	0	(1,216)	0	(1,216)	1,216	0
Transfers	(147)	0	147	0	0	0
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(4,111)	0	0	(4,111)	4,111	0
Employer's payments in the year	2,423	0	0	2,423	(2,423)	0
Collection Fund Adjustment Account NDR	(13,001)	0	0	(13,001)	13,001	0
Collection Fund Adjustment Account CTax	(182)	0	0	(182)	182	0
Accumulated Absences Account	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	(12,972)	762	(3,877)	(17,611)	17,612	1

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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).

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
Net cost of Services	18,301	(4,265)	14,036	4,612	18,648
Other income and expenditure	(18,301)	5,116	(13,185)	(3,108)	(16,293)
Surplus/Deficit on Provision of Services	0	851	851	1,504	2,355
Opening General Fund Balances			(16,404)		
Surplus/Deficit (-/+)			825		
Closing General Fund Balances			(15,553)		

2020/21	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	1,852	(214)	1,638	214	1,852
Customer and Locality	2,291	(273)	2,018	273	2,291
Delivery and Commercial	6,295	(3,093)	3,202	3,544	6,746
Specialist Services	(67)	1,748	1,681	(1,748)	(67)
Strategy Innovation & Resources	5,162	(224)	4,938	224	5,162
Net cost of Services	15,533	(2,056)	13,477	2,507	15,984
Other income and expenditure	(15,533)	(12,095)	(27,628)	10,465	(17,163)
Surplus/Deficit on Provision of Services	0	(14,151)	(14,151)	12,972	(1,179)
Opening General Fund Balances			(15,553)		
Surplus/Deficit (-/+)			(14,151)		
Closing General Fund Balances			(29,704)		

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).

2019/20

	Case Management	Customer & Locality	Delivery & Commercial	Specialist Services	Strategy, Innovation & Resources	CIES
	£000	£000	£000	£000	£000	£000
Income:						
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)
Total	(928)	(127)	(8,238)	(17,523)	(1,076)	(27,892)
Expenditure:						
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
Total	3,311	2,567	13,505	19,073	8,084	46,540
Cost of services	2,383	2,440	5,267	1,550	7,008	18,648
Other income and expenditure on provision of services (per CIES)						(16,293)
Net surplus/deficit on provision of services (per CIES and EFA column (v))						2,355
Reversal of funding adjustments:						
*Capital adjustments	(91)	(756)	(2,461)	(405)	(363)	(4,076)
**Pension adjustments	(159)	(54)	(370)	(136)	183	(536)
EFA column (iv) Cost of Services	(250)	(810)	(2,831)	(541)	(180)	(4,612)
Funding adjustments in other income and expenditure:						
Pension						0
Depreciation						0
Other adjustments as per note 9:						
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
Adjustments between accounting and funding basis (EFA column (iv))						(1,504)
Total movement on General Fund balances (Per MIRS and EFA column (iii))						851

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2020/21

	Case Management	Customer & Locality	Delivery & Commercial	Specialist Services	Strategy, Innovation & Resources	CIES
	£000	£000	£000	£000	£000	£000
Income:						
Income from fees and charges	(633)	(125)	(4,369)	(1,516)	(132)	(6,775)
REFCUS income*	0	0	0	(2,860)	0	(2,860)
Grants and contributions	(312)	(2)	(3,217)	(23,078)	(1,435)	(28,044)
Total	(945)	(127)	(7,586)	(27,454)	(1,567)	(37,679)
Expenditure:						
Employees	1,854	1,151	4,964	2,780	4,119	14,868
Pension accounting adjustments**	123	88	361	140	52	764
Other Service Expenditure	729	994	5,824	23,495	2,386	33,428
Depreciation*	91	155	2,652	11	137	3,046
REFCUS*	0	0	0	944	35	979
Impairments*	0	30	531	17	0	578
Total	2,797	2,418	14,332	27,387	6,729	53,663
Cost of services	1,852	2,291	6,746	(67)	5,162	15,984
Other income and expenditure on provision of services (per CIES)						(17,163)
Net surplus/deficit on provision of services (per CIES and EFA column (v))						(1,179)
Reversal of funding adjustments:						
*Capital adjustments	(91)	(186)	(3,183)	1,888	(172)	(1,743)
**Pension adjustments	(123)	(88)	(361)	(140)	(52)	(764)
EFA column (iv) Cost of Services	(214)	(273)	(3,544)	1,748	(224)	(2,507)
Funding adjustments in other income and expenditure:						
Pension						0
Depreciation						0
Other adjustments as per note 9:						
Value of non-current assets sold						(32)
Statutory provision for repayment of debt (MRP)						807
Capital expenditure financed from revenue						645
Capital grants/CIL unapplied credited to CIES						1,912
Transfer of non-current asset sales proceeds						651
Reversal of movement in investment property values						(341)
Reversal of other IAS19 items						(924)
Collection Fund Adjustment Account NDR						(13,183)
Accumulated Absences Account						0
Adjustments between accounting and funding basis (EFA column (iv))						(12,972)
Total movement on General Fund balances (Per MIRS and EFA column (iii))						(14,151)

Included within the totals for Delivery and Commercial Services, Specialist Services and Strategy, Innovation & Resources are costs and income related to Covid-19.

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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.

	2019/20 £000	2020/21 £000
Reconciliation to EFA column (ii):		
Reverse EFA column (iv) Cost of Services	(4,612)	(2,507)
Less presentation adjustments of corporate items:		
Trading accounts	0	0
Investment properties within Delivery & Commercial	347	451
CIL income	0	0
EFA column (ii) Cost of Services	(4,265)	(2,056)
Other Income and Expenditure adjustments		
Service items presented corporately	(347)	(451)
Capital charges in corporate items	0	0
Pension adjustments in corporate items	0	0
Reversal of total capital items	4,075	1,743
Reversal of total pension items	537	764
Net movement on Reserves	825	(14,151)
EFA column (II) other I&E	5,090	(12,095)
EFA column (ii) total	825	(14,151)

12. Revenue from Contracts

The Council's income that includes contractual arrangements is shown in Note 11 and amounts to £6.5m (£9.0m 2019/20). The majority of this income involves payment for services at the time of delivery e.g. Car Park Income (£2.5m 2020/21, £4.6m 2019/20) or that will be delivered within the financial year e.g. Lake Windermere charges (£1.4m 2020/21, £1.4m 2019/20).

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.

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
- Central Government – for the administration and distribution of various monies relating to relief payable to local people and businesses, to alleviate the economic effects of the various Covid-19 lockdowns.

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 rents at Town View Fields Hostel, 2 other homes owned by the Council
- Windermere Lake Cruises who run the Rectory Road Car Park

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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 (£329k 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:

	2019/20 £000	2020/21 £000
SLDC Acting as Agent for Other Organisations		
Income paid over to organisations and individuals	915	456
Management fees received by SLDC	(122)	(78)
 Covid-19 grants paid to organisations and individuals	 0	 106,413
Management fee for Covid-19 grants	0	(537)
 Other Organisations Acting as Agent for SLDC		
Income Received	(587)	(334)
Agency Fee Paid By SLDC	55	44

Most of the increase in income paid over to organisations and individuals between the two years is due to the monies administered by SLDC on behalf of Central Government. 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. SLDC received administration grants from Central Government for administering and distributing these monies on their behalf.

In addition to the Covid-19 grants paid out of £106,413k the Council also held £2,983k in unspent agency grant funds within its cash and cash equivalents amount (see Note 27) and therefore has a creditor of the same amount at the year end.

Income relating to shared ownership car parks and Lake Windermere was lower than previous years due to the effect of Covid-19 and lockdown restrictions.

The reduction in income received by SLDC from other organisations acting as their agent is mostly due to the reduction in income received at Braithwaite Fold Caravan Park, as the site was closed for most of the year due to the Covid-19 restrictions.

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14. Members' Allowances

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

	2019/20 £000	2020/21 £000
Allowances	253	246
Expenses	15	1
Total	268	247

15. Officers' Remuneration and Exit Packages

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

		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
		£000	£000	£000	£000	£000
Chief Executive	2019/20	111	1	0	18	130
	2020/21	114	1	0	23	138
Director of Strategy Innovation and Resources	2019/20	79	1	0	13	93
	2020/21	81	1	0	16	98
Director of Customer and Commercial Services	2019/20	79	1	0	13	93
	2020/21	81	1	0	16	98
Finance Lead Specialist	2019/20	57	0	0	9	66
	2020/21	59	0	0	12	71
Operational Lead Support Services	2019/20	61	1	0	10	72
	2020/21	58	1	0	12	71
Legal, Governance and Democracy Specialist (Monitoring Officer)	2019/20	36	1	0	6	43
	2020/21	57	1	0	12	70
Head of Shared ICT	2019/20	51	1	0	8	61
	2020/21	54	1	0	11	66
Operational Lead Delivery and Commercial Services	2019/20	52	1	0	8	61
	2020/21	54	1	0	11	66
Operational Lead Specialist Services***	2019/20					
	2020/21	50	1	0	10	61
Operational Lead Customer and Locality Services **	2019/20	51	1	60	8	120
	2020/21	0	0	0	0	0
Human Resources Lead Specialist *	2019/20					
	2020/21	48	1	0	9	58

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* This role wasn't recruited to until the end of April 2020. If employed for a full year then the post holder would have earned £50,891.

** This post does not meet the disclosure requirement for 20/21.

***This post did not meet disclosure requirement in 19/20.

The pension figures use the primary rate of 20.1% (16.2% for 2019/20) 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 bonuses.

The numbers of Council employees receiving remuneration (treated as salary, special allowances and expenses allowances but excluding pension payments) of more than £50k in 2019/20 and 2020/21 are shown in the table below:

Banding Note

	2019/20 Number of employees	2020/21 Number of employees
£50,000 - £54,999	4	6
£55,000 - £59,999	1	3
£60,000 - £64,999	1	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	1	0
£80,000 - £99,999	1	2
£100,000- £119,999	2	1
Total	10	12

12 Senior Officers met the banding note requirement in (20/21) compared to 8 Senior Officers in (19/20). In (20/21) there are no redundancies that met the banding note disclosure requirement compared to 3 redundancies in 19/20 that did.

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£000	£000
£0 - £40000	4	0	5	3	9	3	126	34
£40,001 - £80,000	1	0	1	0	2	0	104	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
TOTAL	5	0	6	3	11	3	230	34
Note:	<i>includes a £3.9k reduction in a previously disclosed exit package due to the extension of an officers employment'</i>							

Bandings have been aggregated to prevent disclosure of individual settlements.

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16. External Audit Costs

The table below shows the Council's costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors. The appointed auditor for 2019/20 and 2020/21 was Grant Thornton UK LLP.

	2019/20 £000	2020/21 £000
Fees payable to the appointed auditor for external audit services	49	67
Additional 19/20 fee for external audit services	0	9
Additional 18/19 fee for external audit services	5	0
Fees payable for HB certification	26	27
Additional 18/19 fee for grant claims	5	0
Total	85	103

The 2020/21 fees payable of £67k for external audit are taken from the Grant Thornton Audit letter. These include the £43k scale fee published by PSAA, the ongoing increases to the scale which were first identified in 2019/20 for raising the bar/regulatory factors £4k, PPE £2k and pensions £2k and additional fees for the new issues identified in 2020/21 in respect of additional work on Value for Money under the new NAO code £9k and the impact of new auditing standards £6.5k.

Additional fees of £9k which were payable in 2020/21 related to 2019/20 Covid-19 audit risk and adjustments made to allow for remote working to complete the 2019/20 audit.

Fees paid for non-audit services include £26k for 2019/20 Housing Benefit certification and £27k for 2020/21 Housing Benefit certification.

Fees for 2019/20 were adjusted by £3.5k for a 17/18 HB Subsidy Additional Fee of which was received in 19/20 but 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.

17. Grant Income

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

	2019/20 £000	2020/21 £000
Specific Grant Credited to Services:		
Department for Works and Pensions -		
Housing Benefit Subsidy	(14,595)	(14,104)
Housing Benefit Administration Grant	(170)	(167)
Housing Benefits Local Scheme	(23)	(18)
Other Revenue and Benefits Grants	(71)	(64)
Ministry of Housing, Communities & Local Government -		
New Homes Bonus	(517)	(393)
NNDR Collection Allowance	(301)	(322)
Flexible Homelessness Support	(82)	(111)
Council Tax Reduction Scheme Admin Grant	(77)	(77)
Council Tax Support Grant	0	(130)
Local Council Tax Discounts	(38)	(42)
Local Authority EU Exit Preparation	(35)	0
Custom Build	(15)	0
Preventing Homelessness	(11)	(111)

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	2019/20	2020/21
Transparency Grant	(8)	0
Planning Grants	(2)	(1)
Rural Services Delivery Grant	0	(434)
Elections	(360)	(31)
Individual Electoral Registration and Transformation	(20)	(8)
Rapid Rehousing Grant	(38)	(63)
DEFRA Grant for Taxi Database	0	(1)
Cultural Compact Grant	(18)	0
Sports England Funding re Leisure Partnership	0	(194)
PCC Community Safety Partnership Co-ordinator Admin	(15)	(8)
Economic Development	0	(13)
Apprenticeship Training Grant	(9)	(8)
Conservation	(6)	0
Sales, Fees and Charges Grants from Government	0	(1,841)
Grants Funding REFCUS (DFG, Conservation and CIL)	(816)	(2,860)
Total Specific Grant credited to Cost of Services	(17,229)	(21,001)
Contributions Credited to Cost of Services		
Recycling Credit Contributions	(1,452)	(1,494)
Other Contributions	(125)	(81)
Total Contributions credited to Cost of Services	(1,577)	(1,575)
Covid-19 Grants – disbursed on behalf of government*	(40)	(8,565)
	(18,846)	(31,141)

*£8.6m was received for Covid-19 related grants where the Council is acting as principle, as listed in Note 1. The total in the first table of note 1 is the amount paid out, the difference is funding to cover the costs of administering these schemes.

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

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BALANCE SHEET

18. Property, Plant and Equipment
Movements on Balances

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2019	60,498	12,099	4,576	427	93	103	77,796
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
At 31 March 2020	61,397	13,283	4,576	375	58	270	79,959
Accumulated Depreciation							
at 1 April 2019	(1,340)	(6,529)	(625)	0	0	0	(8,494)
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
At 31 March 2020	(734)	(7,725)	(684)	0	(1)	0	(9,144)
Net Book Value							
at 31 March 2019	59,158	5,570	3,951	427	93	103	69,302
at 31 March 2020	60,663	5,558	3,892	375	57	270	70,815

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

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Movements in 2020/21	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or Valuation At 1 April 2020	61,397	13,283	4,576	375	58	270	79,959
Additions	0	1,545	0	0	798	0	2,343
Enhancements	255	286	0	22	1,785	0	2,348
Disposals	0	0	0	0	0	0	0
Revaluations recognised in RR	(1,827)	0	0	0	110	0	(1,717)
Revaluations recognised in I&E	(920)	(39)	0	(25)	206	0	(778)
Assets reclassified	(448)	(458)	0	11	437	0	(458)
At 31 March 2021	58,457	14,617	4,576	383	3,394	270	81,697
Accumulated Depreciation at 1 April 2020	(734)	(7,725)	(684)	0	(1)	0	(9,144)
Depreciation charge in the year	(1,829)	(1,022)	(55)	0	0	0	(2,906)
Disposals	0	0	0	0	0	0	0
Revaluations recognised in RR	1,060	0	0	0	14	0	1,074
Revaluations recognised in I&E	161	34	0	0	13	0	208
Assets re-classified	26	456	0	0	(26)	0	456
At 31 March 2021	(1,316)	(8,257)	(739)	0	0	0	(10,312)
Net Book Value							
at 31 March 2020	60,663	5,558	3,892	375	57	270	70,815
at 31 March 2021	57,141	6,360	3,837	383	3,394	270	71,385

The net book value of assets reclassified out from PPE (£458k) is matched by the amounts reclassified into Assets Held for Sale in Note 21.

During 2020/21 Kendal Town Hall and South Lakeland House underwent extensive refurbishment and reconfiguration. As the Town Hall was closed to the public and staff during this period, the building was reclassified as an Asset Under Construction and enhanced by the cost of the works. As certain floors of South Lakeland House were still operational, only the parts of the building undergoing works have been shown as an Asset Under Construction.

The outbreak of Covid-19 impacted global financial markets and as at 31 March 2020 valuation date, less weight could be attached to previous market evidence to inform opinions of value. In this unprecedented set of circumstances, the 2019/20 valuations were therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

In 2020/21 the pandemic and the measures taken to tackle Covid-19 continued to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels upon which to base opinions of value. Accordingly valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen, which may be mitigated by Government and Bank of England action.

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Information on Assets Held

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

Property, Plant and Equipment Assets Held	Number at 31 March 2019	Changes 2019/20	Number at 31 March 2020	Changes 2020/21	Number at 31 March 2021
Other Land and Buildings:					
Allotments	various sites	various sites	various sites	various sites	various sites
Car Parks	44	0	44	0	44
Cemeteries	9	0	9	0	9
Depots	5	(1)	4	(1)	3
Historic Properties	1	0	1	0	1
Houses and hostel	3	1	4	1	5
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	29	0	29	1	30
Tourist Information Centres	1	0	1	0	1
Other land and buildings	38	0	38	1	39
Vehicles Plant and Equipment:					
Vehicles	80	1	81	7	88
Infrastructure Assets:					
Sea Defences	1	0	1	0	1
Sewerage Works	2	0	2	0	2
Land Drainage schemes	3	0	3	0	3
Community Assets:					
Historic Structures	5	0	5	0	5
Parks, Woodland and Open Spaces	186	3	189	3	192
Surplus Assets:	7	1	8	(2)	6

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Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land. Higher value assets such as office buildings and leisure centres are split into components where doing this would have a material impact on the depreciation charged in year. For all remaining assets depreciation is charged, in accordance with the accounting policies, generally on opening balance sheet values (see note 4) over periods reflecting the following estimated useful lives:

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

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

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

Revaluations

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

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

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

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Surplus £000	Total £000
Carried at historical cost	312	6,289	3,837	377	3,394	0	14,209
Valued at fair and current value as at:							
31 March 2021	32,453	0	0	0	0	120	32,573
31 March 2020	16,333	71	0	6	0	0	16,410
31 March 2019	1,371	0	0	0	0	0	1,371
31 March 2018	6,387	0	0	0	0	150	6,537
31 March 2017	285	0	0	0	0	0	285
Total Cost or Valuation	57,141	6,360	3,837	383	3,394	270	71,385

The major capital commitments as at 31 March were:

	2020 £000	2021 £000
Affordable Housing Grants	5	3
Kendal Town Hall/ SL House	0	933
Public Realm Schemes	120	131
Vehicles	1,055	832
Car Parks	53	74
Play Areas	141	125
IT Replacement Fund/Digital Innovation	22	18
Community Housing Fund	134	725
Right to Buy Replacements	248	0
Braithwaite Fold Caravan Park	2	0
Grange Promenade & LIDO	42	43
Bins and Signage	103	0
LIPS Applications	15	0
Energy Saving Building Enhancements	5	16
Others	6	27
Total Commitments	1,951	2,927

The main commitments at 31 March 2021 were – community housing fund grants awaiting invoices (£725k), refurbishment works to Kendal Town Hall and South Lakeland House ordered but not yet completed (£933k), refuse vehicles ordered with significant lead time, due for delivery in 2021/22 (£832k), works ordered but not commenced to refurbish play areas (£125k), and public realm schemes where payment of contributions to outside bodies are not yet due (£131k).

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 2020/21 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £3,100k. This was mainly due to capital expenditure that has not added to the current or fair value of assets (£81k) and the revaluation of assets to reflect current market conditions (£3,091k).

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	2019/20 £000	2020/21 £000
Bus Shelters	(2)	0
Car Parks	(503)	(1,622)
Lake Assets	(5)	(11)
Offices	(78)	(899)
Historic properties	0	(8)
Retail/commercial properties	(756)	(498)
Recreation/parks	(316)	(25)
Cemeteries	0	0
Sports Centres	(76)	0
Depots	0	(60)
Other	0	(52)
Total Impairments and downward Revaluations	(1,736)	(3,175)
Through Provision of Services	(1,313)	(2,389)
Through Other CIES	(423)	(786)
Prior year impairments credited to Provision of Services	0	276

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 2020/21 the Digital Innovation Project was enhanced by continuing software development work (£23k).

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 2021 they made up £71k (£71k at 31 March 2020) of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows;

	2019/20 £000	2020/21 £000
Cost or Valuation:		
Balance at 1 April	1,461	1,628
Additions/enhancements	167	23
Disposals	0	0
Impairments	0	0
Assets reclassified	0	0
At 31 March	1,628	1,651
Amortisation:		
At 1 April	(905)	(1,052)
Charge for the Year	(147)	(139)
Disposals	0	0
Assets reclassified	0	0
At 31 March	(1,052)	(1,191)
Balance Sheet Amount at 1 April	556	576
Balance Sheet Amount at 31 March	576	460

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21. Assets Held for Sale

	2019/20 £000	2020/21 £000
Cost or Valuation:		
Balance at 1 April	170	0
Additions/ revaluations	0	50
Disposals	0	(458)
Assets re-classified	(170)	458
At 31 March	0	50
Depreciation at 1 April	0	0
Charged in year	0	0
Disposals	0	457
Assets re-classified	0	(457)
At 31 March	0	0
Net Book Value		
At 31 March	0	50

During 2020/21 a decision was made to sell land at Manorside, Flookburgh under an option agreement with the developer – the option agreement was outstanding as at 31 March. Other sales for land at Boon Town, Burton to South Lakes Housing to provide access to a development site did proceed along with the sale of several obsolete vehicles.

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 2020/21. Following review of the insurance cover it was felt prudent to separately identify some historic items named on the insurance cover (£79k) and they appear within the revaluations below. Furthermore in the year new roofing was applied to the Kirkby Lonsdale monument (£2k). The balance sheet is as follows:

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Movements	Museum Collections 2019/20 £000	Museum Collections 2020/21 £000
Cost or Valuation		
At 1 April	1,795	1,795
Additions	0	0
Enhancements	0	9
Disposals	0	0
Revaluations	0	72
At 31 March	1,795	1,876
Net Book Value at 1 April	1,795	1,795
at 31 March	1,795	1,876

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

Historic Items

Tester bed
Cupboards
Grandfather Clock
Chairman's chain of office
Vice-chairman's chain of office
Silver chain and pendant
Silver goblet

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 properties 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 properties or to repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

Movements in Fair Value	2019/20 £000	2020/21 £000
Balance at start of the year	4,594	4,184
Additions	290	34
Disposals	0	(30)
Revaluations	56	149
Reclassifications and amendments	0	0
Impairments	(756)	(490)
Balance at end of the year	4,184	3,847

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; there are no movements in 2020/21.

Assets Held

	Number at 31 March 2019	Changes 2019/20	Number at 31 March 2020	Changes 2020/21	Number at 31 March 2021
Investment Properties Assets Held					
Miscellaneous Commercial Properties	14	2	16	0	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:

- £3.09m (£3.06m 2019/20) 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 7 and 14 in 2019/20).
- £0.75m (£1.12m 2019/20) of the closing value has been assessed on the basis of market value but 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 accounting policies.

Significant changes to the underlying assumptions could potentially cause significant change to the values. The valuations were performed by a professionally qualified valuer, MA 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 Kendal Town Hall and South Lakeland House refurbishment (£1,990k), Vehicle and Plant Programme (£1,508k), Westmorland Shopping Centre car park (£25k), Rothay Park toilets (£3k) and Ellerthwaite Depot (£2k).

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement	18,354	18,504
Capital Investment:		
Property, Plant and Equipment, Intangibles, Investment Properties and Heritage	2,468	4,756
Revenue Expenditure Funded from Capital under Statute	1,561	979
Sources of finance:		
Capital receipts	(549)	(668)
Government grants and other contributions	(1,295)	(895)
Sums set aside from revenue:		
Direct revenue contributions	(1,316)	(645)
Minimum Revenue Provision	(719)	(807)
Closing Capital Financing Requirement	18,504	21,224
Explanation of movements in year:		
Decrease in underlying need to borrow - Minimum Revenue Provision	(719)	(807)
Increase in underlying need to borrow	869	3,527
Increase/(decrease) in Capital Financing Requirement	150	2,720

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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 and a short term lease for a property. The future lease payments are expected to be:

	31 March 2020 £000	31 March 2021 £000
Not later than one year	39	16
Between one year and five years	0	0
Later than five years	0	0
Minimum lease payments	39	16

The future lease payments are significantly different from previous years as the Council has no lease agreement for printer/copiers beyond 30 June 2021. We are currently in negotiations for the hire of new printer/copiers starting from 1 July 2021, which is expected to cost below £30k per annum for the next 3 + 2 years.

£35k was charged to the Comprehensive Income and Expenditure Statement for operating leases in 2020/21 (£41k in 2019/20). No contingent rents or subleases were payable.

Council as Lessor

Operating Leases

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

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

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

	31 March 2020 £000	31 March 2021 £000
Not later than one year	940	924
Between one year and five years	1230	1,527
Later than five years	4,748	5,823
Total	6,918	8,274

A number of leases were renewed in 2020/21 which had previously expired at 31 March 2020.

With the introduction of the new leasing accounting standard, a full review of all property agreements to clarify their status will be completed in 2021/22.

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

* Lines marked with an asterisk in this note show 31 March 2020 figures adjusted by £26k from 2019/20 statement. An amendment to the 2019/20 accounts was agreed with the External Auditors, but the amendment was not fed into this note. The note has now been shown to fully reflect this change.

Categories of Financial Instruments

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

	Long-term		Current		Total	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Investments:						
Amortised Cost	0	0	19,000	26,000	19,000	26,000
Financial assets at fair value through profit and loss	0	0	0	0	0	0
Total Investments	0	0	19,000	26,000	19,000	26,000
Debtors:						
Amortised Cost	51	51	2,715	1,797	2,766	1,848
<i>Debtors that are not financial instruments</i>	0	0	6,269	24,173	6,269	24,173
Total Debtors	51	51	8,984	25,970	9,035	26,021
Cash & Cash Equivalents						
Amortised Cost	0	0	(566)	5,102	(566)	5,102
Financial assets at fair value through profit and loss	0	0	9,799	900	9,799	900
Total Cash & Cash Equivalents	0	0	9,233	6,002	9,233	6,002
Borrowings:						
Financial liabilities at amortised cost	(12,800)	(12,800)	0	0	(12,800)	(12,800)
Total borrowings	(12,800)	(12,800)	0	0	(12,800)	(12,800)
Creditors:						
Financial liabilities at amortised cost *	0	0	(4,181)	(2,781)	(4,155)	(2,781)
<i>Creditors that are not financial instruments</i>	0	0	(11,544)	(30,957)	(11,544)	(30,957)
Total Creditors *	0	0	(15,725)	(33,738)	(15,699)	(33,738)

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Income, Expense, Gains and Losses

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

	2019/20			2020/21		
	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	567	0	567	567	0	567
Interest income	(233)	(56)	(289)	(82)	(14)	(96)
Total (Income)/Expense in Surplus or Deficit on the Provision of Services	334	(56)	278	485	(14)	471
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Net (gain)/loss for the year	334	(56)	278	485	(14)	471

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 fair value levels can be found in Accounting Policy 12.

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 2020 £000	As at 31 March 2021 £000
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	9,799	900
Total			9,799	900

Fair Values of Assets and Liabilities not measured at fair value

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

- for loans from the Public Works Loan Board (PWLb) Level 2 inputs have been used to calculate the fair value. These inputs include the new loan rate for replacement loans of the same term as that remaining on existing borrowing. This used rates between 2.10% and 2.19% (2.47% and 2.64% for 31 March 2020). An alternative method is to use the early repayment premium, as has been disclosed in prior years. This has also been disclosed as it represents the actual cost to redeem the loans at the year end, with rates applied of between 1.17% and 1.27% under PWLB debt redemption procedures (0.55% and 0.71% for 31 March 2020).
- no early repayment or impairment is recognised.

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- 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 2020		31 March 2021	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities – PWLB Redemption Rate	(12,800)	(28,168)	(12,800)	(24,183)
Financial liabilities – PWLB New Loan Rate	as above	(18,402)	As above	(19,829)
Current Creditors *	(4,181)	(4,181)	(2,781)	(2,781)
Total Financial Liabilities (Redemption) *	(16,981)	(32,349)	(15,581)	(26,964)
Total Financial Liabilities (New Loan) *	(16,981)	(22,583)	(15,581)	(22,610)

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 2020		31 March 2021	
	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	19,000	19,066	26,000	26,004
Amortised Cost – Cash Equivalents	(566)	(566)	3,566	3,566
Current Debtors	2,715	2,715	1,797	1,797
Total Financial Assets	21,200	21,326	31,414	31,478

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.

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 measures such as interest rates and stock market movements.

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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 2020/21 Annual Treasury Management Strategy was reported to and approved by Council on 25 February 2020, and is available on the Council's website. The investment limits were updated in an Emergency Non Executive Decision on 31st March 2020, as a response to the Covid-19 pandemic and increased Central Government funding. The strategy incorporates the requirements of the legal framework, which include the requirement to manage risk in the following ways:

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

The key indicators within the strategy were:

- the Authorised Limit for 2020/21 was set at £30.4m (£26.8m for 2019/20). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £24.2m (£20.6m for 2019/20). 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 2019/20).

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.

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

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

	Criteria	Money Limit	Time Limit
UK Banks	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
<i>Money Market Funds</i> - LVNAV - CNAV Government Funds	AAA	£10m	Liquid
<i>Multilateral Development Banks and Supranational Organisations</i>	AAA	£3m	2 Years
<i>Other Collective Investment Schemes</i> e.g. <i>Enhanced Money Market Funds & 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 2019/20 the loss allowance was £1.448m and for 2020/21 this has changed to £1.452m. 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.

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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 £615k of the £975k balance (due from its general debtors) is past its due date for payment (more than 30 days overdue) (£377k of £2,645k for 31 March 2020). The past due but not impaired amount can be analysed by age as follows:

	31 March 2020 £000	31 March 2021 £000
0 to six months	99	282
Six months to one year	64	147
More than one year	214	186
Total	377	615

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

Refinancing and Maturity Risk

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

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

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 2020		31 March 2021	
		£000	%	£000	%
Less than 1 year (creditors and short term borrowing) *	25%	(4,181)	25%	(2,781)	18%
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%	(12,000)	70%	(12,000)	77%
Between 40 and 45 years	100%	0	0%	0	0%
Total		(16,981)	100%	(15,581)	100%

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Market Risk

Interest Rate Risk

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

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

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

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

Sensitivity analysis	31 March 2020 £000	31 March 2021 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(376)	(407)
Impact on surplus or deficit on the provision of services	(376)	(407)
Decrease in fair value of fixed rate investment assets	68	0
Impact on Other Comprehensive Income and Expenditure	68	0
Decrease in value of fixed rate borrowings liabilities (based on early repayment)*	5,746	4,661
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,303	3,599

*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.

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27. Cash and Cash Equivalents

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

	31 March 2020 £000	31 March 2021 £000
Cash held by the Authority	1	2
Bank current accounts	(566)	5,100
Short-term deposits with Money Market Funds	9,798	900
Total Cash and Cash Equivalents	9,233	6,002

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

	2019/20 £000	2020/21 £000
Interest Received	273	163
Interest Paid	(567)	(567)
	(294)	(404)

28. Debtors

The current debtors balance is made up as follows:

	31 March 2020 £000	31 March 2021 £000
Trade Receivables	2,395	1,401
Prepayments	1,462	523
Other Receivable Amounts	5,127	24,046
Total	8,984	25,970

The increase in other receivable amounts includes a net £13m in NNDR collection fund deficit due from central government, as a result of the exceptional collection fund balance this year. Also the Council Tax Collection fund debtor balance has increased. Please see the collection fund account and notes for further information

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

Allowance for credit losses	Balance 1 April 2019 £000	Debts written off in year £000	Increase (decrease) in year £000	Balance 31 March 2020 £000	Debts written off in year £000	Increase (decrease) in year £000	Balance 31 March 2021 £000
Council Taxpayers	164	(68)	115	211	(11)	102	302
Non Domestic Ratepayers	353	(338)	378	393	(37)	148	504
Sundry Debtors	1,255	(76)	269	1,448	(190)	194	1,452
Total	1,772	(482)	762	2,052	(238)	444	2,258

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

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29. Creditors

The current creditors balance is made up as follows:

	31 March 2020 £000	31 March 2021 £000
Trade Payables	(1,687)	(3,091)
Other Payables	(14,038)	(30,647)
Total	(15,725)	(33,738)

The increase in other payables is due to funds owed to MHCLG following a reconciliation of the business rate reliefs grant received in 2020/21 to the amount awarded in year, of which only 40% is chargeable to the Council from the NNDR Collection Fund.

30. Provisions

The Council has no general provisions.

The only provision held at 31 March 2020 and 2021 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. The provision of £1,123k is based on the Council's share (40%) of the estimated cost of the appeals.

Specific provisions	Balance 31 March 2019 £000	Amounts used in year £000	Amounts added / released in year £000	Balance 31 March 2020 £000	Amounts used in year £000	Amounts added in year £000	Balance 31 March 2021 £000
NDR appeals provision	(853)	235	130	(488)	193	(828)	(1,123)
Total	(853)	235	130	(488)	192	(828)	(1,123)

Overall the provisions has risen during the year as we have seen an increase in challenges to the 2017 list. This is due to the impact of the Covid-19 pandemic and the actions taken by Government to contain it, resulting in a number of organisations submitting to the Valuation Office Claims for material changes in circumstances (MCC) against their business rate valuations. These valuations are a key factor in the calculation of the business rates the Council can charge.

On 25th March 2021, Government changed the MCC provisions in legislation, on a prospective basis only, exempting the impact of the government's response to Covid-19 being a factor on which MCC's can be claimed. Primary legislation is required to bring this change in retrospectively and on 12th May 2021 a bill to implement this change had its first reading in the House of Commons, however it still has to make it through a second reading and then House of Lords before it becomes law. If this does become law then the NNDR appeals provision will be over stated and will be adjusted in 2021/22. This is circa £0.52m per the NNDR3.

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31. Contingent Liabilities

At 31 March 2021, 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%. A further £30k or 10% has been set aside in the Council's reserves to help cover any further levy requests which may result for future claims or changes in risk profile. Payments are made by the Council for each item that is settled, at the time of settlement.
- Following a Council Health and Safety investigation into a fatality the Council is now involved in a case going to litigation in the next financial year. As with all legal cases, dependant on the outcome the Council may not recover its 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.
- The Council is involved in a number of cases concerning planning decisions made, this includes a potential judicial review. As with all legal cases, dependant on the outcome the Council may not recover its costs.
- As a result of successful grant funding bids the Council is subject to clawback provisions should the spending conditions not be met.
- Covid-19 continues to be a major source of uncertainty. With the UK starting to take the first steps out of lock down in March 2021. The plan for the return to 'normal' was recently put back to 19 July 2021 due to a new variant. Illustrating that the plan is subject to being stalled or reverse due to new outbreaks and variants. If it does, this could affect the ability of the Council to generate income from Fees and Charges, for which Government support ends in June 2021.
- The Council has agreed to a number of warranties under the stock transfer agreements with South Lakes Housing (SLH). 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-imburement 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.

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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 £0.36m of capital receipts from SLH in relation to this during 2020/21 (£1.1m in 2019/20).
- 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 2020/21 £228k was received during the year (£243k in 2019/20).

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33. Unusable Reserves

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

Unusable reserve	31 March 2020 £000	31 March 2021 £000
A. Untaken Absences Account	186	186
B. Pensions Reserve	36,335	39,243
C. Capital Adjustment Account	(19,814)	(19,285)
D. Collection Fund Adjustment Account	(918)	12,264
E. Revaluation Reserve	(39,052)	(37,107)
F. Deferred Capital Receipts Reserve	(1,260)	(480)
Total Unusable Reserves	(24,523)	(5,179)

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.

UNTAKEN ABSENCES ACCOUNT	2019/20 £000	2020/21 £000
Balance at 1 April	212	186
Settlement or cancellation of accrual made at the end of the preceding year	(212)	(186)
Amounts accrued at the end of the current year	186	186
(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)	(26)	0
Balance at 31 March	186	186

B. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and their funding. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

PENSIONS RESERVE	2019/20 £000	2020/21 £000
Balance at 1 April	38,675	36,335
Re-measurements of net defined benefit pension liability	(4,559)	1,220
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	4,949	4,111
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,730)	(2,423)
Balance at 31 March	36,335	39,243

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C. Capital Adjustment Account

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

CAPITAL ADJUSTMENT ACCOUNT	2019/20 £000	2020/21 £000
Balance at 1 April	(20,450)	(19,814)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
- Depreciation/impairment charges for non-current assets	3,291	3,485
- Amortisation of intangible assets	147	139
- Revenue expenditure funded from capital under statute	1,561	979
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	25	32
Capital Grants received and applied	0	(298)
Movements in the market value of Investment Properties	700	341
Total adjustments to CIES	5,724	4,678
Amounts direct from Revaluation Reserve	(1,209)	(1,432)
Assets not previously valued	0	
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance expenditure	(549)	(668)
Application of grants from Capital Grant Unapplied	(1,295)	(597)
Minimum Revenue Provision	(719)	(807)
Capital expenditure charged against the General Fund	(1,316)	(645)
Total financing	(3,879)	(2,717)
Balance at 31 March	(19,814)	(19,285)

D. Collection Fund Adjustment Account

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

COLLECTION FUND ADJUSTMENT ACCOUNT	2019/20 £000	2020/21 £000
Balance at 1 April	(687)	(918)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(279)	13,000
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	48	182
Balance at 31 March	(918)	12,264

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E. Revaluation Reserve

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

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

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

REVALUATION RESERVE	2019/20 £000	2020/21 £000
Balance at 1 April	(37,615)	(39,052)
Upward revaluation of assets	(3,070)	(273)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	423	786
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,647)	513
Difference between fair value depreciation and historical cost depreciation	1,210	1,432
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	1,210	1,432
Balance at 31 March	(39,052)	(37,107)

F. 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 and income due to the Council from South Lakes Housing arising from preserved Right to Buy sales where the income is received by the end of the April immediately following the balance sheet date.

DEFERRED CAPITAL RECEIPTS RESERVE	2019/20 £000	2020/21 £000
Balance at 1 April	(967)	(1,260)
Transfer in of Deferred Capital Receipts	(1,216)	(436)
Transfer to the Capital Receipts Reserve on receipt of cash	923	1,216
Balance at 31 March	(1,260)	(480)

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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 2020/21 totals £247k (2019/20 £268k) 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, including the following significant ones

- 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 £63.5k and recovered £4.2k (£73k and £16k respectively in 2019/20) relating to the operation of the Coronation Hall and Market Hall in Ulverston.
- A member of the Council is also the director of a leisure company operating in the district. This company has paid the Council for statutory licences, whose fees are set nationally and for encroachments on Lake Windermere. The encroachment rents are negotiated by our property services consultant and the value of encroachments and any outstanding debts are reported regularly to Lake Administration Committee in part 2. The total value of this is under £50k.
- Two members of the Council are members of the board of South Lakes Housing and receive remuneration for this role of £3,000 per annum (pro-rata for part year), as disclosed in the accounts of South Lakes Housing.
- Two councillors are on the Board of Kendal Futures a community interest company, set up as a public/private sector partnership to make Kendal a better place for business to operate and for working age people to live and work. For the 2020/21 year the Council paid Kendal Futures £26k which represents a third of the bodies overall funding. During 2020/21 negotiations started in increase funding to Kendal futures to enable them to undertake regeneration work on behalf of the Council. This was agreed at Council in July 2021 and as a result we will end up providing 80% of their funding in the future.

Members of the Council sit on the boards of various other organisations, for example, SLDC appoints two Members to the Lake District National Park Authority, one Member to the Yorkshire Dales National Park Authority, one Member to the Cumbria Police and Crime Panel and 1 Member to Kendal Brewery Arts Centre.

A historic report on the work of SLDC representatives for 2020/21 will be presented to Council during 2021. 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

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conflict of interests. The Standards Committee monitors the effectiveness of these controls and received the annual report for 20/21 at its meeting on 20th April 2021.

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

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

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

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

Officers

Declarations were received by all senior Officers, no relevant transactions were declared for the year ended 31 March 2021.

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. The board receives payment for their payment: the two SLDC Members can claim up to £3,000 per year. In September 2021 SLDC resolved to cease appointing SLDC Members to the board of South Lakes Housing: at the time there was only one SLDC Member still serving.

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 (£0.85m in 2020/21, £1.4m in 2019/20).

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 participated 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement (CIES):				
Cost of Services:				
- current service cost	3,267	3,187	0	0
- past service costs	448	1	0	0
- settlements and curtailments	273	0	0	0
- Pension Admin costs	75	79	0	0
Financing and investment income and expenditure:				
- Net interest cost on net liability	886	844	108	95
Total post employment benefit charged to CIES	4,949	4,111	108	95
Other post employment benefit charged to CIES				
- return on plan assets	5,734	(20,197)	0	0
- actuarial (gain)/losses due to demographic assumptions	(6,000)	0	(128)	0
- actuarial (gain)/losses due to financial assumptions	(2,507)	24,286	(49)	420
- actuarial (gain)/losses due to other assumptions	(1,411)	(3,192)	(198)	(97)
Total charged to the CIES	765	5,008	(267)	418
Movement in reserves statement:				
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(4,949)	(4,111)	(108)	(95)
Actual amount charged against the general fund in the year:				
- employers' contributions payable to scheme	2,450	2,143	280	281

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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. No such adjustment was necessary to the 2020/21 valuations.

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 2021 is a loss of £7.111m. The net of post-employment benefits debited to Other CIES is a debit of £1,220m (credit of £4.559m in 2019/20), 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 (2021/22) are estimated to be £2.328m (£2.133m 2020/21).

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Arrangements	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Opening balance at 1 April	156,924	151,281	4,642	4,095
Current service cost	3,267	3,187	0	0
Interest cost	3,724	3,574	108	95
Contributions by scheme participants	603	634	0	0
- actuarial (gain)/losses due to demographic assumptions	(6,000)	0	(128)	0
- actuarial (gain)/losses due to financial assumptions	(2,507)	24,286	(49)	420
- actuarial (gain)/losses due to other assumptions	(1,411)	(3,192)	(198)	(97)
Benefits paid	(4,040)	(5,457)	(280)	(281)
Curtailments and past service	721	1	0	0
Closing balance at 31 March	151,281	174,314	4,095	4,232

The weighted average duration of scheme liabilities is 16 years.

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

	Local Government Pension Scheme - Funded		Unfunded	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Opening balance at 1 April	122,891	119,041	0	0
Expected rate of return	2,946	2,825	0	0
Return on plan assets	(5,734)	20,197	0	0
Pension Administration Costs	(75)	(79)	0	0
Employer contributions	2,450	2,142	280	281
Contributions by scheme participants	603	634	0	0
Benefits paid	(4,040)	(5,457)	(280)	(281)
Closing balance at 31 March	119,041	139,303	0	0

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

Trend of Assets and Liabilities	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Present value of assets:					
Local Government pension scheme	114,040	116,872	122,891	119,041	139,303
Present value of liabilities:					
Local Government pension scheme	(148,034)	(145,760)	(156,924)	(151,281)	(174,314)
Discretionary benefits	(4,933)	(4,657)	(4,642)	(4,095)	(4,232)
Total scheme (deficit)/surplus	(38,927)	(33,545)	(38,675)	(36,335)	(39,243)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £39.243m 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.

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 2021. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	22.6	22.7
- women	25.2	25.3
Longevity at 65 for future pensioners:		
- men	24.2	24.3
- women	27.1	27.2
Other Assumptions:		
Rate of inflation - CPI	2.10%	2.70%
Rate of increase in salaries	3.60%	4.20%
Rate of increase in pensions	2.20%	2.80%
Rate for discounting scheme liabilities	2.40%	2.10%

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.

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

There has been substantial volatility in equity markets around the world this year, in relation to the Covid-19 pandemic, which has had an impact on asset prices. Generally, 31 March 2020 was the low point for equity markets. So any recovery over the year will be reflected in the accounting figures as at 31 March 2021. Over the same period, market volatility extended to corporate bonds, by 31 March 2021 the yields on AA- rated corporate bonds settled at around 2.2%p.a. which is slightly lower than the start of the accounting year. As the discount rate for accounting purposes is based on corporate bond yields, this means the volatility will ultimately have an impact on accounting liabilities.

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

Composition of Local Government Pension Scheme Assets	31-Mar-20		31-Mar-21	
	£'000	%	£'000	%
Equity investments				
UK Quoted	11,905	10.00	12,816	9.2
Global Quoted	23,808	20.00	40,676	29.2
UK Equity Pooled (unquoted)	0	0.00	0	0.0
Overseas Equity Pooled (unquoted)	8,333	7.00	0	0.0
Equity Protection	0	0.00	0	0.0
Bonds				
UK Government Index Pooled (unquoted)	27,379	23.00	24,100	17.3
UK Corporate Bonds (quoted)	0	0.00	0	0.0
Overseas Corporate Bonds (quoted)	0	0.00	0	0.0
Property				
UK	7,023	5.90	8,080	5.8
Property Funds	3,333	2.80	3,622	2.6
Cash/Liquidity				
Cash Accounts	4,524	3.80	4,736	3.4
Net Current Assets	119	0.10	139	0.1
Other				
Healthcare Royalties	833	0.70	1,393	1.0
Private Debt Funds	3,809	3.20	5,433	3.9
Private Equity Funds	4,405	3.70	7,383	5.3
Infrastructure Funds	8,809	7.40	9,891	7.1
Multi Asset Credit	14,285	12.00	20,895	15.0
Real Estate Debt Funds	476	0.40	139	0.1
Total	119,041	100.00	139,303	100.00

Sensitivity Analysis

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

	Central £000	+0.1% pa discount rate £000	+0.1% pa inflation £000	+0.1% pa pay growth £000	+1 yr life expectancy £000
Liabilities	178,546	175,672	181,467	178,831	183,971
Assets	(139,303)	(139,303)	(139,303)	(139,303)	(139,303)
(Deficit)/surplus	39,243	36,369	42,164	39,528	44,668

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2020/21
INCOME AND EXPENDITURE ACCOUNT (G)

INCOME AND EXPENDITURE ACCOUNT

2019/20			Note	2020/21	
£000	£000			£000	£000
		INCOME			
(99,367)		Council Tax (Gross)		(102,782)	
9,268		Less Council Tax Discounts		9,832	
5,047		Less Council tax reduction scheme		5,738	
	(85,052)	Net Income from Council Tax			(87,212)
	(15)	Local Council Tax Discounts from General Fund			(363)
	(43,401)	Non-Domestic Rates	3		(13,497)
	(128,468)	TOTAL INCOME			(101,072)
		EXPENDITURE			
63,049		Cumbria County Council Precept	2	65,851	
11,683		Cumbria Police Precept	2	12,141	
10,597		SLDC (inc Parish) Precepts	2	10,906	
68		Council Tax Amounts written-off		93	
400		Council tax impairment of debt		760	
	85,797	Council Tax Precepts and Demands			89,751
21,304		Central Government share		21,292	
4,261		Cumbria County Council share		4,258	
17,043		SLDC share		17,033	
(629)		Transitional protection payments		(194)	
339		NDR Amounts written-off		93	
100		Increase / (reduction) in NDR debt Impairment		279	
(586)		NDR appeals provision utilised in year		(65)	
(325)		Increase / (reduction) in NDR appeals provision		1,654	
301		Cost of Collection Allowance		301	
	41,808	Non-Domestic Rates expenditure			44,651
	127,605	TOTAL EXPENDITURE			134,402
730		Council Tax (Surplus)/Deficit for the Year		2,176	
(1,593)		NDR (Surplus)/Deficit for the year		31,154	
	(863)	TOTAL (SURPLUS) / DEFICIT FOR THE YEAR			33,330
(42)		SLDC share b/f Council Tax surplus		(85)	
(43)		Cumbria Police share b/f Council Tax surplus		(94)	
(249)		Cumbria County Council share b/f Council Tax surplus		(507)	
358		SLDC share of projected NDR (deficit)/surplus		539	
448		Central share of projected NDR (deficit)/surplus		674	
89		County share of projected NDR (deficit)/surplus		135	
	561	Total contributions for prior years			662
Ctax	NDR	Fund balance reconciliation		CTax	NDR
384	(1,840)	(Surplus) / Deficit at 1 April	4	780	(2,538)
396	(698)	Movement in year	4	1,490	32,502
780	(2,538)	(Surplus) / Deficit at 31 March	4	2,270	29,964
	(1,758)	TOTAL (SURPLUS)/DEFICIT AT 31 MARCH			32,234

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2020/21
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 £65.851m (£63.049m for 2019/20), Cumbria Police Authority £12.141m (£11.683m for 2019/20) and the Council £10.906m (£10.597m for 2019/20) 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): 45,712 for 2020/21 (45,513 for 2019/20). This basic amount of Council Tax for a Band D property of £1,944.74 (£1,874.79 for 2019/20) 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 2020/21 was calculated on the following basis:

Band	Chargeable Dwellings (net of discounts)	Proportion of Band D Tax	2020/21 Band D Equivalent Dwellings	2019/20 Band D Equivalent Dwellings
A	3,126	6/9	2,084	2,071
B	8,347	7/9	6,492	6,494
C	10,247	8/9	9,108	9,080
D	8,879	9/9	8,879	8,869
E	6,802	11/9	8,313	8,249
F	4,442	13/9	6,416	6,330
G	2,639	15/9	4,398	4,395
H	242	18/9	484	485
All Bands	44,724		46,174	45,973
Allowance for 1% late collection			(462)	(460)
Council Tax Base			45,712	45,513

3. National Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government has specified an amount (rate) of 51.2p for 2020/21 (50.4p for 2019/20). 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 49.9p (49.1p in 2019/20) 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 2020/21
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 2021 is £123.8m (£122.9m at 31 March 2020). Mandatory and discretionary reliefs are available, including expanded retail relief for Covid-19.

	2019/20 £000	2020/21 £000
Gross Rates Payable	(60,347)	(60,915)
less:		
Transitional Relief	629	194
Mandatory Reliefs	13,655	15,460
Discretionary Reliefs	1,899	31,030
Unoccupied Property	763	735
Net Rates Payable	(43,401)	(13,497)

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 £5.412m (£17.680m for 2019/20) and the share of the 20/21 surplus £539k (£358k in 19/20) is transferred into the General Fund. This is then reduced by a tariff payment £15.112m (£15.112m for 2019/20) 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 £13.497m (£43.401m for 2019/20). Income has fallen as a result of the increased discretionary relief awarded as a result of the Covid-19 pandemic.

4. Collection Fund Deficit

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 NNDR Deficit is higher than anticipated as the estimates at the beginning of the year (before Covid-19) resulted in higher shares paid than income recoverable from rate payers. This was due to the additional reliefs awarded as a result of Covid-19, reducing the amount of income recoverable.

The Collection Fund statement shows the level of surplus or deficit at the end of 2020/21 identified between Council Tax and Non-Domestic Rates. Due to the impact of Covid-19 on the Collection Funds the Government introduced legislation on the 1st December 2020 to minimise the impact of these deficits on the Council Tax payer by spreading the deficits over three financial years.

SOUTH LAKELAND DISTRICT COUNCIL

THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

1. Scope of Responsibility

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

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

South Lakeland District Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework “*Delivering Good Governance in Local Government*” (2016). A copy of the Local Code is on our website at www.southlakeland.gov.uk or can be obtained on written request to the Council at South Lakeland House, Lowther Street, Kendal, Cumbria, LA9 4DQ. The Local Code of Governance is usually reviewed annually by the Council’s Audit Committee to ensure it remains relevant, effective, comprehensive and up-to-date: the review covering 2020/21 was reported to Audit Committee in April 2021.

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 2021 and up to the date of approval of the annual report and statement of accounts.

3. The Principles of Good Governance and the Governance Framework

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

- Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B – Ensuring openness and comprehensive stakeholder engagement
- Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes
- Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Principle F – Managing risks and performance through robust internal control and strong public financial management
- Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

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.

Internal Audit carried out a review of the Local Code during 2020/21: although the internal audit report was not finalised in time to be reported to Audit Committee in April 2021 the results of the testing was used to inform this review the Local Code. The Code was updated to include emphasis on the inclusion of ethics in consideration of the organisation's values and to add a new requirement, C14, to ensure the Council fully complies with the requirements of the CIPFA FM Code. Amendments to the Code were approved by Council on 19 May 2021.

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

Council	Approves the Council Plan, key policies and budgetary framework Approves the Constitution (including Financial Regulations)
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.
Overview and Scrutiny Committee	Hold Cabinet and officers to account and scrutinise performance

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

Chief Executive, Corporate Management Team and Leadership Team	<p>Chief Executive has responsibility for the overall management of the Council, its vision and strategy.</p> <p>Corporate Management Team and Leadership 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.</p>
Monitoring Officer	<p>Legal, Governance and Democracy Lead Specialist</p> <p>Ensures the Council operates lawfully and develops, maintains and operates within a Constitution suited for its requirements.</p>
Chief Finance Officer (S151)	<p>Finance Lead Specialist</p> <p>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.</p> <p>Ensures counter fraud arrangements</p> <p>Ensures timely support, information and responses to external auditors and properly considers audit findings and recommendations.</p> <p>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.</p>
Internal Audit	<p>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</p> <p>Delivers an annual programme of risk based audit activity</p> <p>Makes recommendations for improvements in the management of risk.</p>
External Audit	<p>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).</p>
Managers	<p>Responsible for developing, maintaining and implementing the Council's governance, risk and control framework.</p> <p>Contribute to the effective corporate management and governance of the Council.</p>

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:

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

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

supporting principles in the Local Code, together with the key principles relating to the role of the Chief Finance Officer.

All elements were self-assessed and a score awarded where 4 is the highest score and zero indicates no internal controls. Over 75% of measures assessed were scored at 4/4:

Score	Number of scores	% of total
4	175	77%
3	41	18%
2	8	4%
n/a	2	1%
Grand Total	226	100%

An action plan has been prepared to address those element that scored 2 or 3. The measures that scored 2 relate to:

- the need to develop new guidance and policies around external arrangements and partnerships, including setting out expectations;
- the need for improved case management resources in the legal team;
- needs to be further training on the timely submission of reports and correct processes to be followed;
- Arrangements for succession planning and the need to consider career structures for members and officers to encourage participation and development; and
- Ensuring that there are structures in place to encourage public participation.

While these are serious issues they are areas where arrangements are in place but need to be improved or updated rather than total absence of control. The action plan will be reviewed regularly by Corporate Management Team and Audit Committee.

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.

There is an identified need for Officers to receive further training on the Legal and Governance framework, this is being delivered Council-wide over the next 12 months by Statutory Officers. While changes are to be made to the Councils Constitution to reflect the Customer Connect model, organisational development training will ensure that all officers of the Council understand that the operating model does not override the requirement to consider, or act upon, advice provided and to the due process requirements.

No other 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 2019/21 was reported to Council in May 2021 concluded that effective scrutiny was taking place and 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 2020/21 concluded that it was working effectively, functioning in accordance with best practice and providing independent assurance of the Council's governance arrangements. The Committee will review the AGS at their meeting on 29 July 20221 alongside the Council's unaudited accounts.

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

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 2020/21 concluded that overall, ethical standards were sound.

Internal Audit annual opinion

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

The Internal Audit Annual Report contains a statement / judgment on overall levels of assurance (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment

Audit Committee on 29 July 2021 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 2021. 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.

The impact of the on-going pandemic on the overall delivery of the internal audit programme for 2020/21 has been minimal with the majority of planned work being carried out. The reviews of Project management and Customer Connect have been deferred to 2021/22 mainly due to SLDC's capacity to accommodate them with competing priorities. This has not impacted on Internal Audit's ability to provide an opinion and there have been no limitations on internal audit's opinion as a result.

Twelve risk based audits have been completed in the year of which one has resulted in substantial assurance and eleven have resulted in reasonable assurance. There were no reviews which resulted in a limited or no assurance assessment.

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. Grant Thornton gave an unqualified opinion on the Council's financial statements on 2 December 2020. The opinion included an Emphasis of Matter, highlighting property, plant and equipment valuation material uncertainties in respect of the Council's own assets and those in the Council's share of pension fund assets.

Four actions were recommended by the External Auditor as part of the 2019/20 accounts audit. These recommendations were relatively minor in nature and three out of the four have been adopted by the Council during the year. The outstanding recommendation concerns the preparation of a post-implementation review of the Customer Connect programme to ensure the benefits articulated in the original plan have been delivered against and to identify areas where the governance and financial

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

management arrangements over savings delivery can be further strengthened. This review was underway with a draft report prepared in October 2020 but work on the report has been paused as the Council was required to respond to a new Covid-19 lockdown with new support packages to be delivered to businesses and residents in the district. It is expected the report will be produced during the 2021/22 financial year

The auditors did not identify any matters which required them to exercise their additional statutory powers. They were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources and reflected this in their report to the Council on 2 December 2020. The auditors certified that they completed the audit of the financial statements of South Lakeland District Council in accordance with the requirements of the Code of Audit Practice on 2 December 2020.

The 2020/21 Audit Findings Report is expected to be presented to Audit Committee on 23 September 2021 alongside the Council's audited accounts.

Professional Standards

The Finance Lead Specialist, as the s151 officer, is 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. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. With the impact of Covid-19 and the additional pressures 2020/21 has become a shadow year with full implementation from April 2021. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes. A summary of the requirements of the Code and an assessment of the Council's position was reported to Audit Committee in April 2021. This self-assessment was carried out by the Council's S151 Officer.

Where there are outstanding matters or areas of improvement, these are included in the AGS action plan.

6. Impact of Covid-19

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.

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 made under the Coronavirus Act 2020 enabled all local authority meetings to be held remotely until 6 May 2021, including allowing remote access by members of the public, and they removed the requirement for an annual meeting for 2020/21. Since 6 May 2021 meetings have to be held in-person: the annual meeting of Council was held on 19 May 2021 at Kendal Town Hall with 26 members and 6 officers. It is expected that Covid-19 restrictions on social distancing will be lifted before the next timetabled meeting of Council on 27 July.

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. All such decisions are reported to the next meeting of Council and a report on all uses of these arrangements was report to Council on 19 May 2021.
- **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. All such decisions are reported to the next meeting of Cabinet.

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 were also 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 LAKE LAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

the Council website and the live-stream of virtual meetings were available alongside the minutes on the Council website. There were fewer meetings than originally expected of some committees during 2020/21, including Audit Committee. Annual reports from Audit Committee, Standards Committee and Overview and Scrutiny Committee for 2020/21 were considered by Council on 19 May 2021 and highlighted no significant weaknesses in their effectiveness despite the disruption of Covid-19. The calendar of meetings for 2021/22 was approved by Council on 19 May 2021 and assumes all meetings will be held face to face.

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 consulted and approved new policies to reflect the new situation including the Council Tax hardship scheme.

A full report on the financial impact to date was considered by Cabinet on 20 May 2020 and revised budgets were approved 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 was regularly reviewed and updates were reported as part of the financial update and budget process during 2020/21. The Revenue and Capital Outturn 2020/21 to be considered by Cabinet and Council in late June 2021 includes a full breakdown of income and expenditure during the year related to Covid-19.

Audit Committee on 17 September 2020 considered an update on the impact of Covid-19 on the Council's internal controls. Other changes include:

- **Remote Working:** When lockdown was introduced all staff were requested to work from home where possible. This remote working was enabled by the existing arrangements for flexible working introduced as part of the Customer Connect programme and using existing IT equipment for most staff. Staff showed great flexibility in transferring their workplace from the office to their home, especially where children were not at school. The intranet was used to keep staff updated and to share news, information and support including homeworking wellbeing and mental health resources.

For several years the business continuity plans have included staff working remotely if there was no access to South Lakeland House or other buildings. Because these systems were already in place and well tested there were already arrangements in place for authorising payments and online banking. There is one treasury management counterparty which stills requires signed authorisation forms to be scanned and emailed but all other regular payments can be made remotely. Virtually all payments were already made through the BACS system: when the current banking tender commenced in 2016 the decision was made to stop using cheques and although there is the facility to write a cheque when BACS payments are not possible we are still on the first cheque book. The Council had arrangements in place for printing and distributing annual Council tax and business rate bills and for election printing. These arrangements have been temporary extended to include other print jobs.

- **Procurements and Acceptance of Tenders:** As well as the delegations approved by Cabinet to Directors to accept tenders, the Monitoring Officer established a Contract Management Board to include a review of all Covid-19 related contracts. This group have also reviewed existing contracts and future requirements with an update to the Procurement Schedule considered by Cabinet on 9th September 2020. The Monitoring Officer has updated the Constitution to clarify requirements for tender acceptance, key decisions and the forward plan to ensure transparent decisions have taken place.

The impact of Covid-19 on strategic partners has been of particular interest: for example the Council has worked with GLL on leisure provision including the arrangements for Kendal Leisure Centre to become a temporary recovery centre for the NHS and providing additional funding to enable GLL to pay fixed costs while they were collecting no income from customers.

On 20 March 2020 Cabinet endorsed the decision to delay the deadline for receipt of Right to Buy receipts from South Lakes Housing, to assist with their cash flows, until 30 June 2020 rather than the 30 April 2020 as set out under the Housing Transfer agreement of March 2012. This request was carefully considered and the risks evaluated before agreement. The cash was duly received by this revised deadline.

SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2020/21 (H)

- **Grants Schemes:** The Government made a number of grant scheme available during the year to support businesses around South Lakeland. Emergency Delegated Executive Decisions and Emergency Non-Executive Decisions were used to authorise the acceptance of grants and schemes to be paid. Overall around £130m of grants and reliefs have been received and passed on during 2020/21. This government funding is earmarked for these grants: anything not spent will need to be repaid.

Councils were encouraged to distribute the funding as quickly as possible with guidance gradually tightened on eligibility and expected checks before payments. The ESB system recently introduced by SLDC as part of Customer Connect was used for the application and administration of the schemes and provides a full audit trail for each application.

- **Treasury Management:** Council approved the Treasury Management Strategy for 2020/21 – 2024/25 and the Capital Strategy for 2020/21 -2033/34 on 25 February 2020. These strategies reflected the 2020/21 budget and capital programme being considered as part of this agenda and included the Investment Strategy which set out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. On 1 April 2020 the Government paid the Council a grant of £74.5m to fund the costs of grants to businesses who pay rates. This was too high for the treasury management counterparties both available for use and approved in February 2020 for the 2020/21 financial year. The Emergency Non-Executive Decision Treasury Management Strategy – Investment Counterparties Update was approved on 30 March 2020 and approved higher counterparty limits for Money Market Funds (from £5m to £10m) and that the grant funding from government to be redistributed in relation to Covid-19 will be disregarded when applying the counterparty limit with the Councils own bankers (Nat West). Since the start of the pandemic the Bank of England twice cut interest rates down to 0.10% from 0.75%, these have seen investment returns fall as they are reflected in the money market. Due to the need for increased flexibility and liquidity in our cash flows, this has led to investments being refocused into the very short term end of the market resulting in increased use of instant access accounts and limited short term deposits.
- **Income Collection:** The Government announced various initiatives to assist with financial pressures, including additional business rate relief and additional Council tax hardship support. All income collection by direct debit was stopped for April 2021 while business rate reliefs were awarded and new bills sent. New payment arrangements were made, mainly delaying Council tax payments where most payments are still in 10 instalments to move back from April and May but to be extended to February and March. Direct debit collection of all debt returned to normal schedules by June 2020. Cabinet and Council have approved both a temporary and permanent Council tax hardship scheme to implement the Government requirement to increase support to claimants of Council Tax Reduction Scheme (CTRS). Claimants have been awarded additional relief to reduce their Council Tax bill by £300 or to zero. Collection rates were lower than normal: for business rates the net collectible debit for 2020/21 was vastly reduced due to many businesses either getting Small Business Rate Relief (SBRR) or the expanded retail relief. This means that the effect of any business that is not paying their bill will have a greater impact on the collection rate. Officers approached larger debtors and agreed instalment plans. The grant scheme has seen a significant properties added to the rating list. Whilst the majority of these will be eligible for SBRR or expanded retail relief, not all will be and there was a lag in the payments coming through.

Officers sought to balance income collection with an understanding of customer positions. Social media messages were used to ask those that can pay to do so and those that were struggling to contact the Council to make arrangements as soon as possible. This included the #OK2ask message. Initially soft reminders were sent out for all new debt, and the usual recovery processes were reintroduced by the end of Q2. Additional temporary debt recovery resources were used to assist with this area of work.

- **Accounting and Budgeting:** The deadlines for preparing and auditing the 2019/20 annual accounts were revised to allow more time. The Council's accounts were approved for issue on 24 June 2020 and the final audit report was issued in December 2020. The audit was entirely completed remotely.

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Regular updates are provided by various bodies, including CIPFA, on suggested changes to financial management, procurement, risk management and fraud. This includes events, training and guidance such as how the Annual Governance Statement needed to reflect the impact of Covid-19.

The pandemic has had a material impact on the Council's financial position. This was reflected in the Medium Term Financial Plan reported to Cabinet and approved by Council in July 2020. Expected deficits have increased in the current and future years, mainly as a result in reduction in income, but additional government grant has mitigated the impact. The current position is monitored regularly as the Government announces changes in requirements and funding and as the situation around the district changes: for example income from car parking varied depending on Covid-19 restrictions and has seen a move in usage from town centres to tourist areas.

Due to the complexity and value of some of the transactions relating to Covid-19 there has been a considerable increase in the use of estimation and judgement in preparing the accounts. These are detailed within note 1 (Covid-19), note 4 (Assumptions made about the Future and Other Major Sources of Estimation Uncertainty) and note 5 (Critical Judgements in applying Accounting Policies).

- **Service Delivery and Working Collaboratively:** The Council continues to work with others to delivery ambitions. A joint committee has been established with Barrow Borough Council and Lancaster City Council to shape and drive economic development across the Lancaster and South Cumbria Economic Region through the Lancaster and South Cumbria Joint Committee. New policies and strategies continue to be prepared and applied, including the Commissioning Strategy approved July 2020. Regular exercises were carried out to ensure Council resources were prioritised appropriately. This resulted in delay of some projects until the 2021/22 financial year when fewer resources are expected to be required to reach to Covid-19.

The Council worked with voluntary groups, parish and town Councils and other organisations to support communities and businesses. Elected members became community champions in identifying and coordinating support and relief where required with particular focus on poverty and hardship. The Council also has provided additional accommodation for those who are homeless and supported Cumbria County Council in Covid-19 outbreak control.

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 (Amendment) Regulations 2021 with draft accounts to be signed off by 31 July instead of 31 May and the deadline for the final publication from 31st July to 30 September.

7. Annual Governance Statement Action Plan

The 2020/21 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 include partnership governance and ensuring procurement and financial skills of senior officers. The action plan also includes areas of improvement identified through the review of the CIPFA Financial Management Plan. Progress on the action plan will also be reported annually through the AGS. The action plan can be found here: [AGS Action Plan](#).

8. Governance opinion

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

Lawrence Conway

Jonathan Brook

Lawrence Conway

Jonathan Brook

**Chief Executive
South Lakeland District Council**

**Leader
South Lakeland District Council**

Date 30/09/2021

Date 30/09/2021

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of South Lakeland District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Finance Lead Specialist and S151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Finance Lead Specialist and Section 151 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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Finance Lead Specialist and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Finance Lead Specialist and Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Finance Lead Specialist and Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Finance Lead Specialist and Section 151 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 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 the 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 in April 2020 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 '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 matters 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, 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 Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, set out on page 26 of the financial statements, 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 Section 151 Officer. The Finance Lead Specialist and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Finance Lead Specialist and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21), The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government Act 2003, The Local Government Act 1972, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, Internal Audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to management override of control, in particular journals, management estimates and transactions outside the course of business.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Finance Lead Specialist and Section 151 Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on high risk unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government sector;
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation;
 - guidance issued by CIPFA, LASAAC and SOLACE; and
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for South Lakeland District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources and issued our Auditor's Annual Report;
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

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

Gareth Kelly

Gareth Kelly, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

30 September 2021

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