

South Lakeland District Council

2021/22

# Audited Statement of Accounts & Annual Governance Statement

Working together to make South Lakeland the best place to live, work and explore





**SOUTH LAKE LAND DISTRICT COUNCIL**  
**Statement of Accounts and Annual Governance Statement 2021/22**

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**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**LAYOUT AND EXPLANATION OF DOCUMENT (A)**

**Overview**

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2021/22, 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 2021/22. 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 - Section I**

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.

# **SOUTH LAKELAND DISTRICT COUNCIL**

## **Statement of Accounts 2021/22**

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

#### **INTRODUCTION**

This statement of accounts contains the financial performance and position of the Council as it delivers council plan priorities. Over the last 12 months, despite the continuing challenge of dealing with the Covid-19 pandemic and planning for local government reorganisation, the Council has continued to provide services and deliver its priorities. The Council's values of openness, excellence and valuing people 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.

Under the Cumbria (Structural Changes) Order 2022 South Lakeland District Council will be abolished in April 2023 (along with Cumbria County Council, Barrow Borough Council and Eden District Council). Responsibility for all Local Government functions will transfer to a new unitary Westmorland and Furness Council. Elections to the Shadow Authority took place on 5th May 2022. Between May 2022 and March 2023, all existing and future authorities will exist in parallel until April 2023 when South Lakeland District Council (and the current County and other Districts) will be abolished and the Shadow Authority will become Westmorland and Furness Council.

Despite South Lakeland District Council ceasing to exist from 31 March 2023, due to the continuation of its existing services, 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) ensures the Council's financial affairs are properly administered, and its financial position remains stable and robust.

The following Statement of Accounts give an overview of the Council's finances for 2021/22. The Council has maintained a 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 2021/22.
- 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 finance team strives to continuously improve its procedures and processes and have taken on board the actions recommended by the External Auditor as part of the 2020/21 accounts audit. These Accounts were submitted to the External Auditor on 30 June 2022 in accordance with internal timelines, and one month ahead of the revised statutory deadline.

The three External Audit recommendations related to the valuation of assets and all three have been fully implemented for the 2021/22 accounts. There was one outstanding recommendation from 2020/21 which concerned the preparation of a post-implementation review of the Customer Connect programme. This has been done and a detailed report "Customer Connect Five Years on, the outcomes, benefits and future" approved by Council in December 2021.

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 and more details are included in the Annual Governance Statement.

The 2021/22 budget along with the MTFP financial projections were presented for approval at the Full Council meeting on 23<sup>rd</sup> February 2021. 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 2021/22 together with updated budget gap estimates for the period 2022/23 to 2025/26. The council's sound financial situation meant it could continue to progress key projects that offered most benefit to residents thanks to careful management of the budget, despite the pressures caused by the ongoing Covid pandemic. Members resolved to protect the council's long-term finances with prudent management but were also determined to protect the council's long-term ambitions and deliver on our key projects.

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**Summary Medium Term Financial Plan February 2021:**

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)
<b>Net Service Budget (excluding capital charges)</b>	<b>11,996.3</b>	<b>11,376.9</b>	<b>11,069.4</b>	<b>11,213.4</b>	<b>11,109.3</b>
<b>Council Tax</b>	<b>(9,285.4)</b>	<b>(9,564.8)</b>	<b>(9,846.7)</b>	<b>(10,131.1)</b>	<b>(10,417.9)</b>
<b>Business Rates</b>	<b>(4,001.9)</b>	<b>(2,260.2)</b>	<b>(2,161.2)</b>	<b>(2,302.0)</b>	<b>(1,956.7)</b>
<b>Government Grant</b>	<b>(809.2)</b>	<b>(145.7)</b>	<b>(145.7)</b>	<b>0.0</b>	<b>0.0</b>
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
<b>(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2021 onwards</b>	<b>0.0</b>	<b>2,368.5</b>	<b>2,110.3</b>	<b>2,128.7</b>	<b>2,235.7</b>

A major challenge was preparing the budget and future years' estimates during the Covid-19 pandemic. In February 2021, when the budgets for 2021/22 were approved, the budget report noted that "although the Government have introduced a number of one-off grants to mitigate the impact of COVID-19 as part of the local government finance settlement announced in December 2020, these are insufficient to cover the full extent of the additional costs and income lost due to the pandemic".

At that time the whole of the UK was in tier 5 'Stay at Home', the highest level of restrictions, there was a roll-out of vaccines, new variants were emerging and there was no clear picture as to when and how national and international travel restrictions would be eased. By 31 March 2021 the position had improved with further general and specific grants to support the costs of the pandemic and reduce the strain on the budget for 2021/22.

Further specific grants were announced during 2021/22 as the pandemic developed, although no further general grants were announced. The final effect on both the local and national economy cannot yet be determined with any accuracy however it is expected that the pandemic will have a continuing impact on the Council's resources, in terms of changes in patterns of expenditure and 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 2022.

### **Organisational Overview**

Many of the challenges of 2020/21 continued to be issues for 2021/22 for South Lakeland District Council and its residents and businesses. The Covid-19 emergency continued to disrupt service delivery, travel and businesses until July 2021 when most restrictions were lifted. The Council continued to offer remote working and virtual meetings whilst maintaining performance and delivering essential services and also considerable project work including tackling climate change, biodiversity loss and the impact of financial inequalities.

South Lakeland is a Council which relishes a challenge and has adopted a plan which sets out an ambitious vision, priorities to tackle our key challenges and a road map to deliver on them. Progress on our innovative transformation programme continues including the ability for customers to access services at a time which suits them and the new customer reception and refurbished Kendal Town Hall 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.

In June 2021 the Government announced the outcome of the review of the structure of local government in Cumbria. Following consultation, the Secretary of State announced his decision, subject to Parliamentary approval, to implement the proposal for two unitary councils on an East-West

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geography for the whole of the administrative county of Cumbria. Parliamentary approval was granted in March 2022 for the necessary secondary legislation to implement this two unitary proposal through the Structural Changes Order.

The Order included provision for the appropriate transitional arrangements, including elections in May 2022 for the two new unitary councils, and for those councils to assume the full range of local authority responsibilities on 1 April 2023 and confirmed the names of the new councils would be Cumberland Council and Westmorland and Furness Council.

Elections to existing councils scheduled for May 2022, including those postponed from May 2021 were 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.

#### **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 people 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.

#### **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.

As always opportunities are taken to make the best use of its assets, investing to save and increasing 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.

#### **Financial Resources overview**

The Council approves the budget and council tax annually in February for the financial year starting in April and continues to deliver its vision via sustainable and cost effective services. The Council's net revenue service budget for 2021/22 totalled £28.1m including efficiencies totalling £1.55m from 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 (£9.3m in 2021/22) followed by retained business rates (£5.8m for 2021/22) and income from car parking (£4.3m for 2021/22). The Council also generates over £1.4m of gross income from Lake Windermere.

This narrative review and Statement sets out in more detail the financial performance and position for 2021/22 as well as more information around the future financial plan. Together, these demonstrate



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that the Council was in a strong, sustainable position to continue delivering the Council Plan priorities despite the impact of Covid-19 and the future uncertainty of local government reorganisation.

**2021/22 FINANCIAL PERFORMANCE**

**Revenue: Summary**

The table below summarises the final overall General Fund outturn against budget for 2021/22. As a result of sustained performance and financial management during 2021/22 the overall underspend for 2021/22 including the impact of Covid-19 is £533k and, net of planned use of working balance, has resulted in £515k being transferred to General Reserve.

	2021/22 Approved Budget £000	2021/22 Working Budget £000	2021/22 Actual £000	2021/22 Variance £000	2021/22 Carry- forward £000
<b>Net Service Expenditure</b>					
Director of Strategy, Innovation and Resources	6,089	9,808	7,516	(2,292)	1,038
Operational Lead Customer and Locality Services	2,315	2,550	2,500	(49)	11
Operational Lead Place and Environment	5,060	1,422	557	90	28
Operational Lead People, Welfare and Income Maximisation	9,601	866	1,709	(112)	112
Operational Lead Delivery and Commercial Services	5,070	6,863	6,865	2	227
<b>Net Service Budget</b>	<b>28,135</b>	<b>21,508</b>	<b>19,147</b>	<b>(2,362)</b>	<b>1,416</b>
<b>Corporate Items</b>	<b>(11,568)</b>	<b>(4,476)</b>	<b>(6,986)</b>	<b>(2,510)</b>	<b>(1,416)</b>
<b>Net Revenue Budget</b>	<b>16,567</b>	<b>17,033</b>	<b>12,161</b>	<b>(4,872)</b>	<b>0</b>
Retained Business Rates	(4,659)	(4,659)	(466)	4,193	0
Council Tax	(11,098)	(11,098)	(11,099)	(0)	0
General Government Grant:					
Rural Services Delivery Grant	(455)	(455)	(436)	19	0
Lower Tier Services Grant	(96)	(96)	(96)	0	0
Local Council Tax Support Grant	(113)	(113)	(113)	(0)	0
Local Tax Income Guarantee	(146)	(146)	(19)	127	0
Covid General Grant: Tranche 5	0	(448)	(448)	0	0
<b>Net General Fund</b>	<b>0</b>	<b>18</b>	<b>(515)</b>	<b>(533)</b>	<b>0</b>

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.

	2021/22 Working Budget £000	2021/22 Actual £000	2021/22 Variance £000
Employees	17,608	17,691	83
Running Costs	31,612	68,331	36,719
Capital	11,022	11,014	(8)
Gross Expenditure	60,242	97,036	36,794
Income	(37,745)	(76,769)	(39,024)
Net Service Variances	22,497	20,267	(2,230)
Non-Service Net Expenditure	(22,479)	(20,782)	1,697
<b>Net Underspend transferred to General Reserve</b>	<b>18</b>	<b>(515)</b>	<b>(533)</b>

Although the impact of Covid-19 mainly hit the Council's income and expenditure in the 2020/21 financial year the medium to long-term financial impact is still to be fully understood. The largest single impact on revenue income in 2020/21 was from reductions in car parking income while car parks were closed to visitors during lockdown.

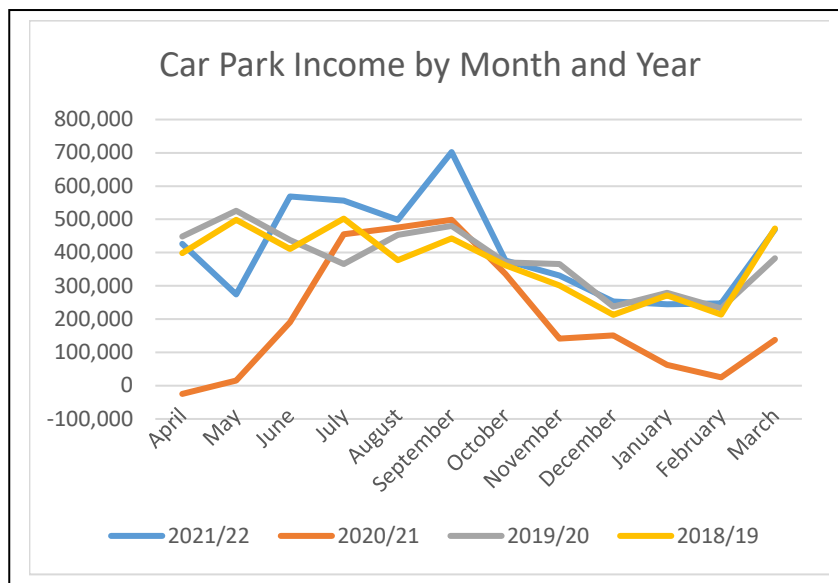
The first six months of the 2021/22 financial year saw only a minor drop in car park cash income of £22k (a total of £3.08m was collected, some of which was collected under management agreements)

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but income was down in Kendal (£172k), Ulverston (£35k) and Kirkby Lonsdale (£50k), offset by increased income in the Lake District National Park.



By the end of the financial year the total collected exceeded pre-Covid totals. The budgets for 2021/22 included a contingency for ongoing additional costs of Covid-19 of £697.5k for 2021/22, reducing to £174.4k for 2024/25. The contingency for 2022/23 onwards has been reduced by 50% each year to reflect the lower than expected impact on budgets in 2021/22.

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 £515k.

Major variances included:

- 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 Covid-19 reliefs, how these are 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 2021/22 was £1.1m.
- Slightly higher than budgeted contributions to capital programme mainly due to timing of capital expenditure originally budgeted in 2020/21.
- 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.

Description	Variance £000	£000
Carry forward requests	(1,416)	
Other service variances	<u>(946)</u>	
		(2,362)
Reduced Minimum Revenue Provision		(213)
Support to capital programme		78
Additional income from Non-Domestic Rates after contribution to pool		4,193
less transfer to/from NNDR surplus reserve for timing differences		(4,182)
Accounting for Collection Fund and Council Tax		(55)
Reduced Grant		146
Accounting for Pensions and other Employee Adjustments		(131)
Net adjustments to reserves relating to carry forwards		1,416
Other net increases in contributions to reserves		<u>595</u>
Net Underspend transferred to General Reserve		(515)

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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. Accordingly the working balance remains at £1.5m and the remaining net underspend after all other transfers to reserves, totalling £515k, has been transferred to the GF working balance from the General Reserve.

The full details of service variances will be reported through the out-turn report to Council on 13 July 2022.

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 2021/22 is summarised below:

	2021/22 £000	2020/21 £000
<b>Capital Spending</b>		
On-street charging infrastructure	158	0
Car Parks	0	132
Housing Improvement Fund - land purchase	362	0
Homeless accommodation	0	154
Play Areas	178	267
SLH/KTH refurbishment	2,780	2,430
Vehicles and bins	988	1,519
Other (under £100,000)	642	254
<b>Total</b>	<b>5,108</b>	<b>4,756</b>

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 were largely completed by March 2022 and are expected to be completed in the first quarter of 2022/23.

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 2021/22 were as follows:

	2021/22 £000	2020/21 £000
<b>REFCUS</b>		
Affordable housing grants	30	381
Cross-a-Moor junction improvements	4,678	0
Community Housing Fund	224	18
Disabled Facilities Grants	547	262
Right to Buy replacement	0	248
Coastal Communities Fund - Grange	169	0
Other (under £100,000)	119	70
<b>Total</b>	<b>5,767</b>	<b>979</b>

The capital programme was funded as follows:

	£000	%
<b>Capital Funding</b>		
Capital Receipts	(836)	8
Grants and Contributions	(5,033)	46
Revenue contributions	(1,215)	11
Prudential borrowing	(3,791)	35
<b>Total to support capital</b>	<b>(10,875)</b>	<b>100</b>

The total capital spend of £10.9m in 2021/22 compares to the total budget of £16.9m (£19.1m less £2.1m of Kendal ERDF funded flood defence works included in the capital programme but not in SLDC capital expenditure as it is treated as agency spend, see note 13 for more details) approved in February 2021 and £13.2m in the latest up-dated capital programme in March 2022 (£15.0m less £1.8m flood work under agency). There were no material underspends within the programme and

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variances of £2.6m are requested for re-profiling at Cabinet on 4 July 2022. A number of factors have influenced the timing of spend in the year, these include:

- Reliance on progress of partners or demand with reference to contributions to housing schemes, Disabled Facilities Grants and play schemes;
- 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 partners for progression of a number of public realm and park schemes, where the Council either does not own the land or is contributing to a wider initiative.

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

The level of re-profiling does not indicate a serious issue in terms of delivery of statutory services, rather, it can be seen to reflect the nature of the Council's capital 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 replacement of Ulverston Leisure Centre and the refurbishment of Grange Lido.

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

Overall the Balance Sheet shows an increase in the net worth of the Council of £14.3m. The major movements from 31 March 2021 to 31 March 2022 are described below.

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

The net current asset (including short term borrowing and grant receipts in advance) balance has decreased by £0.33m in the year from net assets of £22.24m to net assets of £21.91m. The level of net assets was already higher than usual in April 2021 because the Government paid local authorities grants to offset payments of Covid-19 grants and reliefs on business rates. The Council issued additional business rate reliefs in 2020/21 and 2021/22 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 repaid £16m of this grant in 2021/22 and is due to repay £9.5m in 2022/23 so it is shown as a creditor. This is linked to the £8m NNDR collection fund debtor (£13m at 31/3/21) 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 2022 but the 40% SLDC share of additional grant is recognised as income in the General Fund and has been transferred to the NNDR surplus reserve at 31 March 2022 to be used to match the deficit from April 2022 onwards. The cash balance also includes £22.5m of monies received from Government for payment of Covid-19 support and council tax energy rebate which was unspent at 31<sup>st</sup> March 2022 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 £5.97m. This is explained by £5.11m of capital additions less £3.88m of revaluations, £2.95m 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.

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 have been 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.

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During 2021/22 the Council carried out a review of all properties carried as investment properties against the latest guidance. As a result 14 properties are no longer classified as investment properties, as they are not held primarily for yield or capital gains and are rented at market or near market rents. Full details are shown in Note 1 and Note 23. That leaves 11 properties which are classified as investment properties for accounting purposes, of which 5 are retail properties, 5 miscellaneous commercial property and 1 trading/industrial site. These have a combined fair value of £2.541m and are all within the boundaries of SLDC. After expenses the Council earned £119k income from occupiers compared to £322k for the same properties in 2020/21. This gives a return on investments of 4.67% in 2021/22 compared to 13.41% in 2020/21. This is mainly as a result of the caravan site not being able to open in 2021/22, due to the response to the Covid-19 pandemic and planned close down to allow for works to be carried out onsite.

During the 2021/22 audit it was identified that part of Stockbeck flood alleviation works had been transferred, for zero payment, to the Environment Agency in 2016/17. The property was valued at £3m at the time of transfer and had been classified as an infrastructure assets. A prior period adjustment has been made to remove the value of this asset from the balance sheet and adjust other accounts for the value of depreciation charged until 31 March 2022.

#### **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 decreased by £8.6m with the liability in the top half of the balance sheet at £30.6m. A review of note 35 shows that this balance is quite volatile year on year and the 2021/22 decrease offsets an increase 2020/21. These are mainly due to timing of estimated future market forecasts of interest rates, inflation, future salary increases and fund performance generally. There has been substantial volatility in financial markets since the start of the Covid-19 pandemic. Despite a period of relative stability, recently this volatility has increased again with the situation in Ukraine. This has consequences for asset values, and any changes in markets will be reflected in the accounting figures. Over the same period, volatility has extended to corporate bonds but at 31 March 2022 AA-rated corporate bonds settled higher than at the start of the accounting year. However inflation rates started to rise towards the end of 2021/22. The combined effect is to decrease the value of the liabilities and generally positive investment returns.

Statutory restrictions are in place that mean only the amounts payable in year (i.e. the employers' pension contributions as notified by Cumbria County Pension Fund, part of the LGPS) are charged against the General Fund balance. Over the longer term, the fund administrators need to ensure the contributions into the fund (i.e. employers and employees contributions) will be sufficient to meet the liabilities (i.e. payments) which may result in increased contribution rates in future.

#### **Significant Provisions**

Amounts set aside for credit loss allowances are maintained at prudent levels, adjusted for local knowledge. The total amount at 31 March 2022 was £2.32m, up from £2.26m at 31 March 2021 and are netted off the debtors amounts. While the majority of the increase reflects the balances outstanding at 31 March 2022, the Council has considered the potential impact of Covid-19 on the ability of debtors to meet their liabilities.

The only specific provision in 2021/22 was for Non Domestic Rates appeals, the Council's share of which has decreased from £1,123k to £156k. Under the current Retained Non Domestic Rates scheme, successful appeals will directly impact on the Council's income. The provision is based on the estimated cost of currently lodged appeals. The decrease mainly relates to new claims for reductions in rateable value relating to Covid-19. The Government changed the law on 25<sup>th</sup> March 2021 to exclude Covid-19 being a factor on which RV reductions can be claimed. However primary legislation was required to make this change retrospective and the bill was still working its way through

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Parliament at 31 March 2021 but was passed in 2021/22. As a result, when this change became law then the appeal provision was overstated by around £0.5m and was adjusted in 2021/22. The remainder of the change is due to other outstanding appeals being settled during 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 reflects the statutory obligation of billing authorities to maintain a separate account for collection of council tax and business rates and distribution to local authorities, the Police and Crime Commissioner and Government. 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 surplus of £0.77m which left a cumulative deficit of £1.50m. The Non Domestic Rates account made a surplus of £13.50m resulting in a cumulative deficit of £16.47m. 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 and 2021/22 through the Covid-19 retail, leisure and hospitality relief scheme. The deficit/surplus is shared between the precepting authorities and has been taken into account in setting budgets for 2022/23. 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 2021/22 of £6.85m has been transferred to the surplus reserve while £11.2m relating to 2020/21 has been transferred out of the reserve to offset the deficit recognised in 2021/22.

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 2021/22 to support future economic development in the District.

#### **Council Tax**

The Council increased the 2020/21 Council Tax by 2.51% in line with the expectations of Central Government, contained within the finance settlement, equal to an increase of £5.00 on a Band D property to £204.54 for district council services.

#### **Cash flows**

The cash and investment position has increased £6.82m over the year to £38.82m. 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 and for the council tax energy rebate. These grants are either expected to be spent during 2022/23 or are repayable when the reconciliation of Covid-19 grants is completed if not used for their intended purpose. Otherwise, these balances largely reflect the usable reserves that the authority holds. During 2021/22 a contribution of £1.58m was made to Cumbria County Council to create a LGR Implementation Reserve to fund the costs of setting up the new unitary authorities. Carry forwards on revenue of £1.42m and re-profiling of capital of over £12.5m are expected to utilise resources which had been set aside in 2022/23 although not all the expenditure is expected to fall in 2022/23.

The Council has robust Treasury Management procedures in place to ensure that the cash resources are available when required. The Council has not had to increase its level of physical borrowing for several years and had no plan to take on new loans during 2021/22. 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 2021/22 is available via the 8 June 2022 Cabinet agenda on the Council's website.

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Overall performance, as measured by key performance targets, are showing good performance - and demonstrate that South Lakeland is a desirable place to live, work and explore. However in line with the national trend and the influence of Covid-19 for example the number of homeless households living in temporary accommodation has increased.

Economic benchmarks are not directly reflective of Council performance - as there are many external factors at play. The Council monitors the state of South Lakeland's economy, trends, strengths and weaknesses to help prioritise activities and interventions - and adapt and implement policies to positively affect the economy.

The Council plan seeks to secure the investment, growth and transport infrastructure that will deliver a thriving and diverse sub-regional economy with a skilled workforce, a balanced housing market to meet needs, great leisure services to encourage healthy lifestyles and a strong cultural offer. It sees opportunities to extend co-operation to health, carbon reduction and tackling deprivation and inequality.

#### **Outlook: Council Plan 2021 refresh and Medium Term Financial Plan**

##### **Council Plan**

The Council Plan and Performance Policy Framework was reviewed in February 2022 to set out how South Lakeland can ensure that the Community Priorities set out in the Council Plan are considered in developing the policy making framework for the new authority. The review sought to make sure that, in its final year, during the transition to the establishment of Westmorland and Furness Council, efforts are focused on critical areas of delivery which will be a strong legacy and provide firm foundations on which the new authority can build. It seeks to ensure that the Westmorland and Furness Shadow Authority gives full consideration to the vision and priorities of South Lakeland and its communities in developing its strategy and policy framework.

A Project Portfolio Management Approach has been applied to the Council's remaining tasks in the context of Local Government Reform. These include the Customer Connect programme, the Capital Programme and other Business as Usual (BAU) activities in the context of Local Government Reorganisation.

Drawing on the principles set out in the Commissioning Strategy, in addition to the basic commissioning questions of defined purpose, strategic alignment and value for money, the following criteria are taken into account

- Is there a clear rationale for undertaking this activity at this time?
- Is the project at an advanced stage/or subject to contractual obligation such that cancellation and/or decommissioning would be less cost effective?
- Would a Unitary Authority be better positioned to deliver the outcomes of the project?
- Can the project or activity be delivered by April 2023?
- If not, what is the legacy position likely to be and what does it enable for the successor authority?
- Is there a strategy for transition?
- What resource will be needed to deliver it (including ongoing costs) and does it represent value for money;
- Where will the resource be found from and are there any impacts on service delivery
- Does it involve co-operation with other Westmorland and Furness partner authorities;

Key priorities to be taken forward with the intention of being completed by vesting day are the following.

- The final few stages of the Customer Connect project including the completion of the final phase of the refurbishment of South Lakeland House;
- Covid response including Track and Trace and the distribution of grants
- The master plan for the GSK site in Ulverston
- The completion of the roundabout at Cross-a-Moor, Swarthmoor;
- The completion of works to New Road and Gooseholme Bridge;
- Phase 1 of the provision of EV charging points;

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Some other projects likely to be completed include disabled toilet improvements at Millerground and Cartmel, Kendal Market Lift, the conversion of redundant premises at Ellerthwaite depot to offices, improvements to Rothay Park toilets, flood alleviation works at Windermere Road, Grange and energy saving measures at Ferry Nab.

There are also a number of projects and programmes which are likely to be handed on to Westmorland and Furness Council and these were included in the report to council.

Local Government Reform offers a major opportunity to align local Government in Westmorland and Furness to transform lives and tackle major issues in the way envisaged in South Lakeland's Council Plan and to focus efforts in the last year of SLDC on the delivery of essential priorities which will put the new authority in a strong position. Part of that legacy also includes influencing the new shadow authority to ensure that South Lakeland's vision is taken forward and widened by the new authority and the achievement of priorities given renewed impetus with the additional functions, resource and influence of a unitary authority.

#### Medium Term Financial Plan

A Medium Term Financial Plan (MTFP) is produced on an annual bases 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 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 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 2022/23. Current estimates for future years project deficits of around £2m each year from 2023/24 which combines assumptions around reduced funding assumptions and the impact of Covid-19. It now appears unlikely that the reduced funding will occur before April 2024, which would revise the deficit to zero for 2023/24 based on all other assumptions at February 2022 remaining unchanged.

The table below shows the revised projections from February 2022:

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Service Expenditure	30,773.3	24,933.3	25,234.2	25,493.3	25,811.7
Service Income	(18,382.8)	(13,107.7)	(13,490.3)	(13,844.1)	(13,845.5)
<b>Net Service Budget (excluding capital charges)</b>	<b>12,390.5</b>	<b>11,825.6</b>	<b>11,743.9</b>	<b>11,649.2</b>	<b>11,966.2</b>
<b>Council Tax</b>	<b>(9,588.5)</b>	<b>(9,872.6)</b>	<b>(10,159.2)</b>	<b>(10,448.2)</b>	<b>(10,739.8)</b>
<b>Business Rates</b>	<b>(3,786.0)</b>	<b>(2,161.2)</b>	<b>(2,302.0)</b>	<b>(1,956.7)</b>	<b>(1,956.7)</b>
<b>Government Grant</b>	<b>(856.5)</b>	<b>(145.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Interest Receivable/Payable	736.3	898.4	1,039.5	1,172.7	1,184.1
Minimum Revenue Provision	1,271.3	1,359.5	1,532.7	1,783.1	1,643.5
Other Corporate Items	(167.1)	399.1	410.0	723.2	748.2
<b>(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2023 onwards</b>	<b>0.0</b>	<b>2,303.1</b>	<b>2,264.9</b>	<b>2,923.3</b>	<b>2,845.5</b>



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The Council's working balance at 31 March 2022 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

<b>Potential Risk</b>	<b>£000</b>
Potential Additional Costs (excluding pay)	629
Pay, vacancies and pensions	384
Savings not achieved	731
Changes to existing government funding regimes	867
Other Loss of Income	545
Risk Management	500
Emergency Contingency	1,000
<b>Recommended Risk Base Reserve Balances (General Reserve and GF Working Balance)</b>	<b>4,656</b>

The balance on the General Reserve by the end of the next financial year is projected to fall to £2.6m and, combined with the general fund working balance of £1.5m, will be £0.5m below the recommended level. This suggests the overall projected balance is lower than desirable. This reflects the exceptional use of reserves to fund the establishment of the new Westmorland and Furness Council through a contribution to the LGR implementation reserve, as approved by Council in December 2022. A new basis for the risk assessment of reserves will be developed by the S151 Officer of the Westmorland and Furness Council. The fundamental principle governing the use of reserves is that they should not be used to fund recurring expenditure.

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 2022, were:

	<b>31/03/2021 £000</b>	<b>31/03/2022 £000</b>	<b>31/03/2023 £000</b>	<b>31/03/2024 £000</b>	<b>31/03/2025 £000</b>	<b>31/03/2026 £000</b>
General Reserves	(7,774)	(3,895)	(2,981)	(2,946)	(2,999)	(3,174)
Capital Reserves	(2,629)	(2,122)	(721)	(906)	(1,091)	(1,231)
Earmarked Reserves	(17,800)	(11,823)	(6,081)	(5,496)	(5,496)	(5,496)
<b>Total Reserves</b>	<b>(28,203)</b>	<b>(17,839)</b>	<b>(9,783)</b>	<b>(9,348)</b>	<b>(9,586)</b>	<b>(9,901)</b>
Working Balance	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
<b>Total Reserves and Working Balance</b>	<b>(29,703)</b>	<b>(19,339)</b>	<b>(11,283)</b>	<b>(10,848)</b>	<b>(11,086)</b>	<b>(11,401)</b>

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 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 was not recognised until 2021/22. The additional income for 2020/21 of £13m has been added to the NNDR Surplus/Deficit reserve and has been used in 2021/22 and will be used in 2022/23 and 2023/24 to offset the additional business rate deficit. Similar adjustments have been made in 2021/22 for further Covid-19 reliefs issued in April 2021.

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

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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 2022 is summarised below broken down into the following main projects and categories of spend:

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021/22 to 2025/26
	£000	£000	£000	£000	£000	£000
Kendal Flood Defence scheme	1,806	2,523	631	0	0	4,960
South Lakeland House / Kendal Town Hall refurbishment	3,060	0	0	0	0	3,060
Ulverston Leisure Centre replacement	0	2,000	2,000	3,370	0	7,370
Cross-a-Moor roundabout: contributions and guarantees / warranties	4,532	0	0	0	0	4,532
Vehicles, Plant and Bins	959	1,263	2,049	2,235	475	6,981
Grange Lido, Prom and associated works	206	6,180	0	0	0	6,386
Housing Related Schemes	2,090	2,276	1,603	1,603	1,603	9,175
Other items	2,277	1,620	772	145	265	5,079
<b>Total Capital Programme</b>	<b>14,930</b>	<b>15,862</b>	<b>7,055</b>	<b>7,353</b>	<b>2,343</b>	<b>47,543</b>

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 and for the Cross-a-Moor roundabout funded by external contributions and use of SLDC capital receipts and New Homes Bonus.

There are three large schemes relating to Council assets reflecting the new Property and Land Management Strategy of which £7.4m relates to the replacement of Ulverston Leisure Centre and £5.4m 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 delivery it has not been necessary to borrow in 2020/21 or 2021/22. The capital programme also includes £2.8m towards the refurbishment of Grange Lido as part of a £6.4m enhancement scheme in Grange-over-Sands.

Around £7m relates to the renewal of the waste collection and recycling fleet; these are funded through the reduction in investments and have a corresponding 'minimum revenue provision' charge in the revenue budget to pay for these vehicles over their useful lives.

The remainder of the programme relates to works on Council buildings and cultural/ leisure facilities (including play grounds). These are largely funded through use of New Homes Bonus and revenue reserve contributions.

Once the current programme is complete, there is relatively little capital receipt or grant available and so, similar to Council's nationally, future capital investment will need to be able to cover its own costs.

#### Local Government Reorganisation and Finance

Although the Local Government Reorganisation will abolish South Lakeland District Council from 1 April 2023, all the income, expenditure, assets and liabilities of this Council will transfer to the new Westmorland and Furness Council on that date to be merged with the amounts from Barrow Borough Council, Eden District Council and part of Cumbria County Council.

The Chief Finance Officers of all seven councils within Cumbria are working collectively to both identify future income and expenditure and to propose a methodology for splitting budgets for Cumbria County

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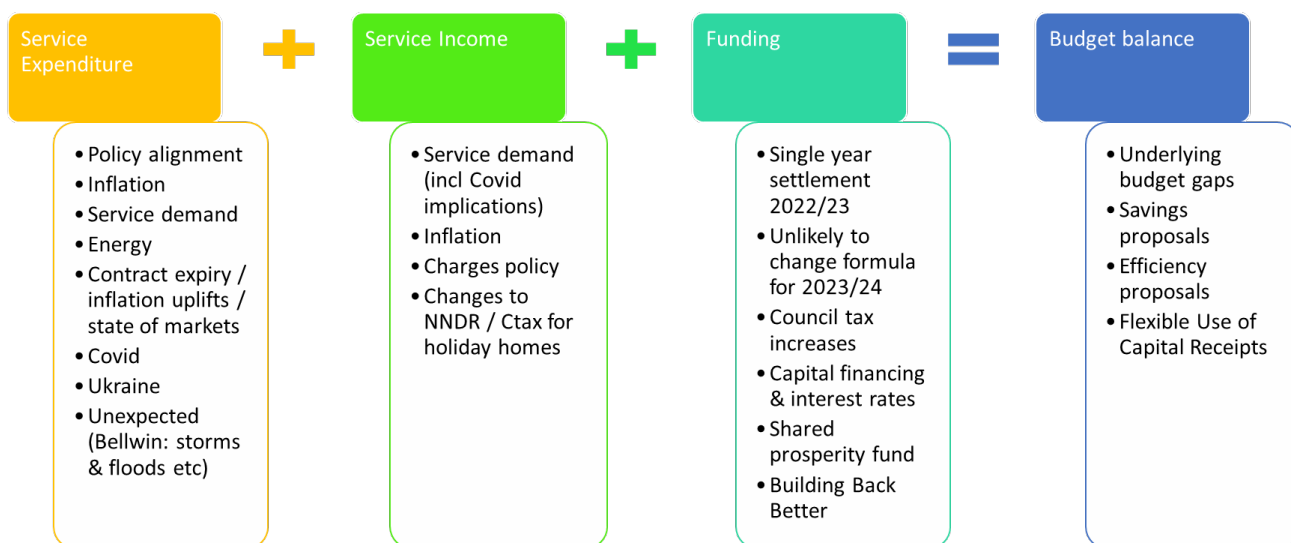
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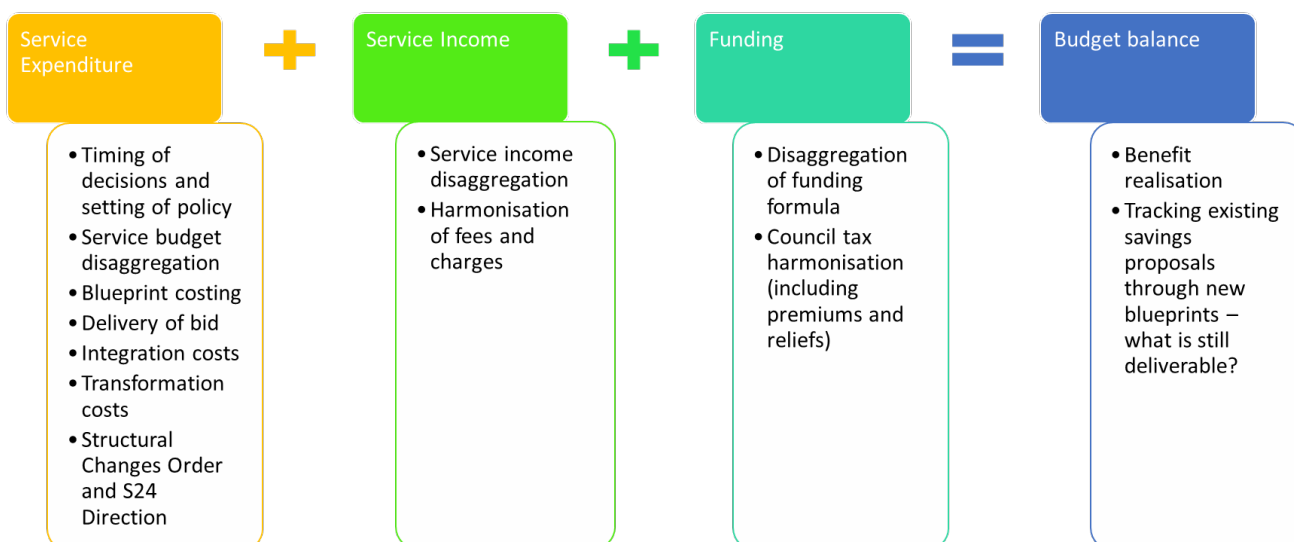
Council between the two new unitary authorities. Once this is complete, a Medium Term Financial Plan and financial projections can be produced for the two new unitary authorities. For 2022/23 budgets each of the seven authorities will continue to project future budgets based on the current structures and Council Plans. A Section 24 Direction was issued in March 2022, requiring approval from the Shadow Westmorland and Furness Council before the incurring of spend over certain limits, disposal of assets and controlling new contracts beyond vesting date in order to protect the financial sustainability of the new unitary authorities.

The Medium Term Financial Plan for Westmorland and Furness Council will have to layer these additional complexities onto the business as usual challenges facing local government at present:

## 2023/24 MTFP Challenges: Business as Usual



## Add 2023/24 MTFP Challenges: LGR



Council in December 2021 approved the request for resources to implement the new authorities, with a request for a contribution from this authority of £1.6m towards projected costs of £18.9m to establish the two new unitary authorities. During 2022/23 there is expected to be a further request for funding for transition and transformation preparation work to be undertaken before vesting day. The current implementation costs also assume no redundancy costs prior to vesting day. While this is likely to be

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the case for the majority of potential redundancies, accounting principles require employee exit payments to be recognised in full when the exit is agreed with the employee, not when employment ceases and any payment (either redundancy payments to the employee or relating to future pension deficits to the pension fund) is made. This would potentially reduce levels of projected reserves at 31 March 2023 that would be transferred to the new authority.

It is expected that some staff currently employed by this Council will carry out tasks related to LGR and that funding from the LGR implementation reserve will be offered to permit backfilling of their roles.

The Government makes no additional funding available for Councils undergoing LGR. Any additional costs of implementation or transformation must be met either from existing resources or from delivering future savings. All the unitary bids for Cumbria included proposed costs of transformation and projected levels of savings which varied depending on assumptions made about the number and nature of the new authorities.

There are also specific rules for harmonisation of Council taxes for new authorities following LGR. Proposals for this and for the splitting of existing Government funding streams will need to be agreed with the Department of Levelling Up, Housing and Communities (DLUHC) by autumn 2022.

### **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 2022 there were four significant strategic risks which are monitored and reported on a quarterly basis and which were above the level of tolerance (8 at 31 March 2021):

- Impact of the Welfare Reform on communities: the Council mitigates as far as possible against the impacts of welfare reform. Risk that welfare reform results in significant changes to taxes and benefits - impacting on low-income tenants and social landlords. With transfer to Universal Credit widely reported impacts on claimants across England. Central Government monitor impacts and make adjustments. The current risk position is proportionate for South Lakeland. The Council has in place many mitigations to reduce poverty and to alleviate against universal credit impacts. This risk has increased due to the Covid-19 pandemic and mitigations have been expanded to cover Covid-19 impacts. Addressing the impact within the district requires a multi-agency approach.
- 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 years' 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.
- Cyber Security Incident - High profile cyber security breaches across the World and the UK. The Council has effective security in place - however threats are becoming ever more sophisticated. Cyber-attacks can cross international boundaries and be initiated by organised criminals, individuals or states. Terrorists are conducting low-level attacks and aspire to more significant acts.
- 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 improvement scheme and Cumbria Choice Based Lettings.

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

### **Opportunities**

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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 and the introduction of unitary 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 (£1,073,000) but consideration has also been given to any item that is thought would be of significance to the reader of the accounts in the context of the activities of the Council. In particular, the Council has applied the following limits on what will be deemed as immaterial in taking decisions regarding their Accounting treatment and presentation:

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

#### **CONCLUSIONS**

The Council is a going concern and, despite the impact of the Covid-19 pandemic, is in a fair financial position to continue delivering against the Council Plan priorities. 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 2021/22 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 ongoing 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, enabling virtual meetings and allowing staff to work effectively from home. As this narrative is being updated to reflect audit findings there is substantial uncertainty around the potential impact of the Government fiscal event on 23<sup>rd</sup> September 2022 and its potential impact on financial markets, pension funds and future funding of services provided by local government. The current assessment is that the pension fund, as a long-term investor with a diversified investment portfolio, has planned to weather market turbulence such as this. Furthermore it does not have any liability-driven investments ("LDI") which are the main area of concern highlighted in the recent press coverage. Further announcements are expected shortly on potential impacts on funding of services.

The future savings targets are challenging alongside the delivery of LGR but, as can be seen from the review above, the Council has the resources to work with colleagues around Westmorland and Furness to meet this challenge and ensure that the services it provides remain sustainable.

#### **Acknowledgements**

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**NARRATIVE REPORT (B)**

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 worked from home for the whole year as a result of the various lockdowns. However 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 2022

## **SOUTH LAKELAND DISTRICT COUNCIL STATEMENT OF RESPONSIBILITIES 2021/22 (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 2021/22

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 2022 and its income and expenditure for the year ended 31 March 2022

*Helen Smith*

*25<sup>th</sup> November 2022*

Helen Smith

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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**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 2021/22 (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 Post Balance Sheet Events

**OTHER**

Policy 4 Revenue and Expenditure Recognition

Policy 5 VAT

**MOVEMENT IN RESERVES**

Policy 6 Reserves

**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

Policy 24 Impairment Allowance for Doubtful Debts

Policy 25 Provisions

Policy 26 Contingent Liabilities

Policy 27 Contingent Assets

**COLLECTION FUND**

Policy 28 Local Taxation and BIDs



**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

**1. FUNDAMENTAL ACCOUNTING CONCEPTS**

**a) Underlying Assumptions**

**Accruals**

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

**Going Concern**

The financial statements have been prepared on the assumption that the Council will continue in operation for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

**b) Qualitative Characteristics of Financial Information**

**Understandability**

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

**Relevance**

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

**Materiality**

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

**Faithful Representation**

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

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

**Comparability**

The financial statements have been prepared to allow comparison of the Council's financial position over time. The Council reports financial performance in segments consistent with the internal management structure.

**Verifiable**

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

**Timely**

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

**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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

that, where specific legislative requirements and accounting principles conflict, legislative requirements as shown in Appendix B to the Code shall apply. To satisfy the twin demands of accounting regulations and legislation, Local Authority accounts include a reconciling statement to disclose how legislation has had an impact on the general fund and other reserves (the Movement in Reserves Statement and supporting note).

**2. ESTIMATION AND PRIOR YEAR ERRORS**

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

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

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

**3. POST BALANCE SHEET EVENTS**

Events after the Balance Sheet date 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.

The main sources of revenue for the Council are

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

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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

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

In relation to expenditure

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

**5. 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 the notes to the Accounting Statements.

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

**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**

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

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:

<b>Component</b>	<b>Detail</b>	<b>Accounting Treatment</b>
<b>Service Costs</b>		
Current service cost	Increase in the present value of the defined benefit obligation resulting from employee service in the current period including interest on the current service cost.	Comprehensive Income and Expenditure Statement for appropriate service
Past service cost / gains	Change in the present value of the defined benefit obligation for service in prior periods resulting from a plan amendment or curtailment and any gain or loss on settlement.	Comprehensive Income and Expenditure Statement, Other Comprehensive Income and Expenditure
Net interest on the net defined benefit liability(asset)	Change during the period in the net defined liability (asset) that arises from the passage of time.	Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
Other administration costs	Other costs of scheme administration	Debited to other operating expenditure
<b>Re-measurements</b>		
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.
<b>Contributions</b>		
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

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

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

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

**Discretionary Benefits**

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

**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.

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

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

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

**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.

The 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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability

**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 a 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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

**Revaluations**

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

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

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

**Impairment**

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

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

**Depreciation**

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

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

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

**Derecognition**

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

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.

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Statement of Accounts 2021/22**  
**ACCOUNTING POLICIES (D)**

**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 their needs to be an expectation that they will be sold within one year. In most cases this will be when the Council approves its sale and marketing.

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

**Receipts**

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

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

**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 or production of goods or is held for sale.

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

**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,



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where it is probable that future economic benefits or service potential associated with the item will flow to the Council and where the cost can be measured reliably.

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

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

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

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

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

## **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 set off against the previous entries in the accounts. Repayment is regarded as capital expenditure and transfers are made between the Comprehensive Income and Expenditure Statement and the Capital Adjustment Account with the transfer being reported in the Movement in Reserves Statement.

## **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.

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**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:

- 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 as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

**Financial Assets 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

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receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

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

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

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

## **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. IMPAIRMENT ALLOWANCE FOR DOUBTFUL 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.

## **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

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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 accrued basis and so includes the Council's share of any in year surplus or deficit. Any difference to the statutory amounts will be reversed out to the Collection Fund Adjustment Account, through the Movement in Reserves Statement.

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

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**MOVEMENT IN RESERVES STATEMENT (E)**

Lines or columns marked \* have been restated following a prior period adjustment. Please see note 1 for further details.

<b>2020/21 RESTATED</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2020</b>	<b>(15,553)</b>	<b>(6,292)</b>	<b>(2,923)</b>	<b>(24,768)</b>	<b>(24,522)</b>	<b>(49,290)</b>
Prior period adjustment	132	0	246	378	3,915	4,293
<b>Adjusted balance at 31 March 2020</b>	<b>(15,421)</b>	<b>(6,292)</b>	<b>(2,677)</b>	<b>(24,390)</b>	<b>(20,607)</b>	<b>(44,997)</b>
Total Comprehensive Expenditure and Income	(580)	0	0	(580)	1,733	1,153
Adjustments between accounting basis & funding basis under regulations	(13,424)	(762)	(3,099)	(17,285)	17,286	1
<b>Increase / Decrease in Year</b>	<b>(14,004)</b>	<b>(762)</b>	<b>(3,099)</b>	<b>(17,865)</b>	<b>19,019</b>	<b>1,154</b>
<b>Balance at 31 March 2021</b>	<b>(29,425)</b>	<b>(7,054)</b>	<b>(5,776)</b>	<b>(42,255)</b>	<b>(1,588)</b>	<b>(43,843)</b>
Adjustments not reflected in Movements in Reserves Statement	51	0	147	198	(2)	196
<b>Balance at 31 March 2021</b>	<b>(29,374)</b>	<b>(7,054)</b>	<b>(5,629)</b>	<b>(42,057)</b>	<b>(1,590)</b>	<b>(43,647)</b>

<b>2021/22</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2021</b>	<b>(29,374)</b>	<b>(7,054)</b>	<b>(5,629)</b>	<b>(42,057)</b>	<b>(1,590)</b>	<b>(43,647)</b>
Total Comprehensive Expenditure and Income	2,589	0	0	2,589	(16,874)	(14,285)
Adjustments between accounting basis & funding basis under regulations	2,746	181	(2,305)	622	(622)	0
<b>Increase / Decrease in Year</b>	<b>5,335</b>	<b>181</b>	<b>(2,305)</b>	<b>3,211</b>	<b>(17,496)</b>	<b>(14,285)</b>
	<b>(24,039)</b>	<b>(6,873)</b>	<b>(7,934)</b>	<b>(38,846)</b>	<b>(19,086)</b>	<b>(57,932)</b>
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0		
<b>Balance at 31 March 2022</b>	<b>(24,039)</b>	<b>(6,873)</b>	<b>(7,934)</b>	<b>(38,846)</b>	<b>(19,086)</b>	<b>(57,932)</b>

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

Total Reserves can be analysed between capital and revenue as follows

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Capital	(12,683)	(14,807)
Revenue	(29,374)	(24,039)
Pensions	39,243	30,620
Other unusable reserves	(40,833)	(49,706)
<b>Total</b>	<b>(43,647)</b>	<b>(57,932)</b>

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (E)**

2020/21 RESTATED			2021/22				
Gross Expenditure	Gross Income	Net			Gross Expenditure	Gross Income	Net
£000	£000	£000	Note		£000	£000	£000
18,565	(16,297)	2,268			16,991	(15,255)	1,736
2,418	(127)	2,291			2,605	(83)	2,522
14,340	(7,746)	6,594			15,385	(9,030)	6,355
11,619	(11,177)	442			13,857	(13,256)	601
6,729	(1,567)	5,162			6,623	(683)	5,940
0	0	0			1,576	0	1,576
<b>53,671</b>	<b>(36,914)</b>	<b>16,757</b>	<b>Cost of Services</b>	11	<b>57,037</b>	<b>(38,307)</b>	<b>18,730</b>
			<b>Other Operating Income and Expenditure</b>				
	(619)		Loss/(Gain) on the Disposal of non-current Assets	18			(931)
	1,736		Parish council precepts				1,758
	92		Parish Council Tax Reduction grant				92
	79		Pension Administration Costs	35			86
	<b>1,288</b>						<b>1,005</b>
			<b>Financing and Investment Income and Expenditure</b>				
	567		Interest Payable	26			567
	844		Net interest payable on net pension liability	35			797
	(96)		Investment Interest income	26			(36)
	38		Changes in fair value of Investment Properties	23			(73)
	(457)		Income received on Investment Properties	23			(149)
	135		Expenses incurred on Investment Properties	23			35
	<b>1,031</b>						<b>1,141</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(10,640)		Council Tax Income	Cfund			(10,997)
	(4,572)		Non domestic rates Income	Cfund			(12,084)
	1,000		Non-domestic rates levy	Cfund			2,108
	15,359		Non-domestic rates tariff	Cfund			15,358
	(413)		Income from Cumbria NNDR Pool	Cfund			(1,126)
	(15,829)		S31 Grant	Cfund			(10,121)
	(2,456)		Other Government Grant				(1,111)
	(2,105)		Recognised Capital grants and contributions				(314)
	<b>(19,656)</b>						<b>(18,287)</b>
	<b>(580)</b>		<b>(Surplus) or Deficit on Provision of Services</b>				<b>2,589</b>
	(273)		Surplus or Deficit on revaluation of Non-Current Assets	33e			(7,766)
	786		Non-Current Asset impairment charged to Revaluation Reserve	33e			2,341
	0		Movement in fair value of Financial Assets Available for Sale	33f			0
	1,220		Remeasurements of Net Defined Benefit Pension Liability	33b			(11,449)
	<b>1,733</b>		<b>Other Comprehensive Income and Expenditure</b>				<b>(16,874)</b>
	<b>1,153</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>(14,285)</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**BALANCE SHEET (E)**

RESTATED 01 April 2020 £000	RESTATED 31 March 2021 £000			31 March 2022 £000	£000
		<b>LONG TERM ASSETS</b>			
		<b>Property, Plant and Equipment</b>	Note 18		
61,278	57,746	Other Land & Buildings		64,053	
5,558	6,360	Vehicles, Plant & Equipment		6,675	
931	910	Infrastructure		887	
507	515	Community Assets		530	
57	3,394	Assets under construction		2,739	
270	270	Surplus Assets		240	
<b>68,601</b>	<b>69,195</b>			<b>75,124</b>	
1,795	1,876	<b>Heritage Assets</b>	22	1,914	
2,483	2,449	<b>Investment Property</b>	23	2,541	
576	460	<b>Intangible Assets</b>	20	370	
51	51	<b>Long Term Debtors</b>		50	
<b>73,506</b>	<b>74,031</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>79,999</b>
		<b>CURRENT ASSETS</b>			
19,000	26,000	<b>Short Term Investments</b>	26	18,000	
8,984	25,970	<b>Short Term Debtors</b>	28	16,436	
9,233	6,002	<b>Cash and Cash Equivalents</b>	27	20,818	
0	50	<b>Assets held for sale</b>	21	100	
<b>37,217</b>	<b>58,022</b>	<b>TOTAL CURRENT ASSETS</b>			<b>55,354</b>
		<b>CURRENT LIABILITIES</b>			
(15,661)	(33,738)	<b>Short Term Creditors</b>	29	(33,050)	
(64)	(925)	<b>Grant Receipts in Advance</b>	29	(246)	
(488)	(1,123)	<b>Provisions</b>	30	(156)	
<b>(16,213)</b>	<b>(35,786)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(33,452)</b>
		<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>101,901</b>
		<b>LONG TERM LIABILITIES</b>			
(12,800)	(12,800)	<b>Long Term Borrowing</b>	26	(12,800)	
(378)	(576)	<b>Long Term Grants in Advance</b>	29	(547)	
(36,335)	(39,243)	<b>Other Long Term Liabilities (Net Pension Liability)</b>	35	(30,620)	
<b>(49,513)</b>	<b>(52,619)</b>	<b>LONG TERM CURRENT LIABILITIES</b>			<b>(43,967)</b>
<b>44,997</b>	<b>43,648</b>	<b>NET ASSETS</b>			<b>57,934</b>
<b>(24,389)</b>	<b>(42,057)</b>	<b>Usable Reserves</b>	8	(38,844)	
<b>(20,608)</b>	<b>(1,591)</b>	<b>Unusable Reserves</b>	33	(19,090)	
<b>(44,997)</b>	<b>(43,648)</b>	<b>TOTAL RESERVES</b>			<b>(57,934)</b>

Signed Helen Smith  
Finance Lead Specialist (Section 151 Officer)

Date 25<sup>th</sup> November 2022

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

Date 25<sup>th</sup> November 2022

**SOUTH LAKELAND DISTRICT COUNCIL**  
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**CASH FLOW STATEMENT (E)**

<b>RESTATED</b>		<b>2021/22</b>
<b>2020/21</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
	<b>OPERATING ACTIVITIES</b>	
580	Net surplus or (deficit) on the provision of services	(2,588)
	<b>Adjusted for non-cash items:</b>	
3,647	Depreciation/amortisation/impairments	4,553
(17,826)	(Increase) / Decrease in Debtors	9,843
5,562	(Increase) / Decrease in Creditors	4,688
1,688	Movement in Pension Liability	2,826
635	Contribution to/(from) Provisions	(836)
32	Carrying amount of non-current assets sold	33
38	Movement in Investment Property values	(72)
<b>(6,224)</b>	<b>Total adjustment for non-cash items</b>	<b>21,035</b>
<b>(5,318)</b>	Adjusted for investing and financing activities	<b>(3,619)</b>
<b>(10,962)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>14,828</b>
	<b>INVESTING ACTIVITIES</b>	
(3,965)	Purchase of PPE, investment property and intangible assets	(5,321)
(54,000)	Purchase of short-term and long-term investments	(33,000)
1,275	Proceeds from the sale of PPE, investment property and intangible assets	436
47,000	Proceeds from short-term and long-term investments	41,000
5,762	Other receipts from investing activities	2,166
<b>(3,928)</b>	<b>Net Cash (Inflow) / Outflow from Investing Activities</b>	<b>5,281</b>
	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
11,659	Other receipts from financing activities	(5,293)
<b>11,659</b>	<b>Net Cash Flow from Financing Activities</b>	<b>(5,293)</b>
<b>(3,231)</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>14,816</b>
9,233	Cash and cash equivalents at start of accounting period	6,002
6,002	Cash and cash equivalents at end of accounting period	20,818
<b>(3,231)</b>	<b>MOVEMENT PER THE BALANCE SHEET</b>	<b>14,816</b>



**SOUTH LAKELAND DISTRICT COUNCIL**  
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**NOTES TO THE ACCOUNTS (F)**

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

**OVERVIEW (general principles)**

Note 1	Changes in Accounting Estimates, Accounting Policy and Prior Period Errors
Note 2a	Impact of Major Events
Note 2b	Demise of the Organisation
Note 3	Accounting Standards that have been issued but not yet adopted and other issues
Note 4	Assumptions made about the Future and Other Major Sources of Estimation Uncertainty
Note 5	Critical Judgements in applying Accounting Policies
Note 6	Material Items of Income and Expense
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**MOVEMENT IN RESERVES**

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**COMPREHENSIVE INCOME AND EXPENDITURE**

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**BALANCE SHEET**

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

Note 34	Related Parties
Note 35	Defined Benefit Pension Schemes

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**OVERVIEW**

**1. Changes in Accounting Estimates, Accounting Policy and Prior Period Errors**

Four adjustments were identified that required a restatement of the 2020/21 accounts and the production of a third balance sheet as at 1<sup>st</sup> April 2020, they are as follows;

a. Investment properties

In 2021/22 the accounting treatment of investment properties was reviewed and as a result it was determined that several properties had been incorrectly classified as investment properties and require the restatement of prior period accounts, these are;

Yewbarrow Studio, Grange Over Sands  
Bus Station, Kendal  
Scout Hut Site, Kendal  
Sea Cadets Site, Kendal  
TV Transmitter, Kendal  
Kirkby Lonsdale Library, Kirby Lonsdale  
Canal Head, Ulverston  
Industrial Workshops Tollbar, Sedbergh  
Industrial Site Foxfield  
Kendal Business Park (999 year lease)  
14 Peppercorn Lane, Kendal  
Royalty Cinema, Bowness-on-Windermere  
Kendal Golf Club

As a result the opening balance sheet as at the 1<sup>st</sup> April 2020 includes an adjustment of £1.701m for investment properties that have been reclassified to Other Land and Buildings and Community Assets and subsequently revalued.

b. Council restructure

During 2021/22 there was a mini restructure involving the services previously known as Case Management and Specialist Services, these were renamed to People, Welfare & Income Maximisation and Place & Environment respectively, which also required a restatement of prior period accounts.

c. Infrastructure assets

As part of the audit process it was identified that an asset transferred to the Environment Agency in 2017 had remained on the Council's balance sheet as on infrastructure asset. As a result the opening balance as at 1<sup>st</sup> April 2020 was adjusted to remove £2.961m of infrastructure assets with a corresponding equal and opposite adjustment to the capital adjustment account.

d. Grant Accounting

On review it was identified that amendments were required to the accounting for grants where there were outstanding conditions rather than restrictions. This has resulted in £1.501m of grants received before 31 March 2021, being derecognised as income and reclassified as grants received in advance.

All of these adjustments have been reflected in the 2021/22 accounts.

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The following restatements of prior year figures have been made in the Statements and relevant notes.

**Prior Period Adjustment - Movement in Reserves Statement 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
<b>Balance at 31 March 2020</b>	<b>(15,553)</b>	<b>(6,292)</b>	<b>(2,923)</b>	<b>(24,768)</b>	<b>(24,522)</b>	<b>(49,290)</b>
Prior Period Adjustment	132	0	246	378	3,915	4,293
<b>Balance at 31 March 2020</b>	<b>(15,421)</b>	<b>(6,292)</b>	<b>(2,677)</b>	<b>(24,390)</b>	<b>(20,607)</b>	<b>(44,997)</b>
Total Comprehensive Expenditure and Income	(580)	0	0	(580)	1,733	1,153
Adjustments between accounting basis & funding basis under regulations	(13,424)	(762)	(3,099)	(17,285)	17,286	1
<b>Increase / Decrease in Year</b>	<b>(14,004)</b>	<b>(762)</b>	<b>(3,099)</b>	<b>(17,865)</b>	<b>19,019</b>	<b>1,154</b>
	<b>(29,425)</b>	<b>(7,054)</b>	<b>(5,776)</b>	<b>(42,255)</b>	<b>(1,588)</b>	<b>(48,843)</b>
Adjustments not reflected in Movements in Reserves Statement	51	0	147	198	(2)	196
<b>Balance at 31 March 2021</b>	<b>(29,374)</b>	<b>(7,054)</b>	<b>(5,629)</b>	<b>(42,057)</b>	<b>(1,590)</b>	<b>(43,647)</b>

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**Prior Period Adjustment – Comprehensive Income and Expenditure 2020/21**

2020/21 ORIGINAL					2020/21 RESTATED		
Gross Expenditure £000	Gross Income £000	Net £000		Note	Gross Expenditure £000	Gross Income £000	Net £000
2,797	(945)	1,852	People Welfare & Income Maximisation		18,565	(16,297)	2,268
2,418	(127)	2,291	Customer and Locality		2,418	(127)	2,291
14,332	(7,586)	6,746	Delivery and Commercial		14,340	(7,746)	6,594
27,387	(27,454)	(67)	Places and Environment		11,619	(11,177)	442
6,729	(1,567)	5,162	Strategy Innovation and Resources		6,729	(1,567)	5,162
<b>53,663</b>	<b>(37,679)</b>	<b>15,984</b>	<b>Cost of Services</b>	11	<b>53,671</b>	<b>(36,914)</b>	<b>16,757</b>
			<b>Other Operating Income and Expenditure</b>				
	(619)		Loss/(Gain) on the Disposal of non-current Assets	18			(619)
	1,736		Parish council precepts				1,736
	92		Parish Council Tax Reduction grant				92
	79		Pension Administration Costs	35			79
	<b>1,288</b>						<b>1,288</b>
			<b>Financing and Investment Income and Expenditure</b>				
	567		Interest Payable	26			567
	844		Net interest payable on net pension liability	35			844
	(96)		Investment Interest income	26			(96)
	341		Changes in fair value of Investment Properties	23			38
	(617)		Income received on Investment Properties	23			(457)
	166		Expenses incurred on Investment Properties	23			135
	<b>1,205</b>						<b>1,031</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(10,640)		Council Tax Income	Cfund			(10,640)
	(4,572)		Non domestic rates Income	Cfund			(4,572)
	1,000		Non-domestic rates levy	Cfund			1,000
	15,359		Non-domestic rates tariff	Cfund			15,359
	(413)		Income from Cumbria NNDR Pool	Cfund			(413)
	(15,829)		S31 Grant	Cfund			(15,829)
	(2,456)		Other Government Grant				(2,456)
	(2,105)		Recognised Capital grants and contributions				(2,105)
	<b>(19,656)</b>						<b>(19,656)</b>
	<b>(1,179)</b>		<b>(Surplus) or Deficit on Provision of Services</b>				<b>(580)</b>
	(273)		Surplus or Deficit on revaluation of Non-Current Assets	33e			(273)
	786		Non-Current Asset impairment charged to Revaluation Reserve	33e			786
	0		Movement in fair value of Financial Assets Available for Sale	33f			0
	1,220		Remeasurements of Net Defined Benefit Pension Liability	33b			1,220
	<b>1,733</b>		<b>Other Comprehensive Income and Expenditure</b>				<b>1,733</b>
	<b>554</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>1,153</b>

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**Prior Period Adjustment - Balance Sheet extract 2020/21**

<b>Original 01 April 2020 £000</b>	<b>Prior Period Adjustment £000</b>	<b>Restated 01 April 2020 £000</b>		<b>Original 31 March 2021 £000</b>	<b>Prior Period Adjustment £000</b>	<b>Restated 31 March 2021 £000</b>
			<b>LONG TERM ASSETS</b>			
			<b>Property, Plant and Equipment</b>			
60,663	615	61,278	Other Land & Buildings	57,141	605	57,746
5,558	0	5,558	Vehicles, Plant & Equipment	6,360	0	6,360
3,892	(2,961)	931	Infrastructure	3,837	(2,927)	910
375	132	507	Community Assets	383	132	515
57	0	57	Assets under construction	3,394	0	3,394
270	0	270	Surplus Assets	270	0	270
<b>70,815</b>	<b>(2,214)</b>	<b>68,601</b>		<b>71,385</b>	<b>(2,190)</b>	<b>69,195</b>
1,795	0	1,795	<b>Heritage Assets</b>	1,876	0	1,876
4,184	(1,701)	2,483	<b>Investment Property</b>	3,847	(1,397)	2,450
576	0	576	<b>Intangible Assets</b>	460	0	460
51	0	51	<b>Long Term Debtors</b>	51	0	51
0	0	0	<b>Long Term Investments</b>	0	0	0
<b>77,421</b>	<b>(3,915)</b>	<b>73,506</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>77,619</b>	<b>(3,587)</b>	<b>74,032</b>
<b>37,217</b>	<b>0</b>	<b>37,217</b>	<b>TOTAL CURRENT ASSETS</b>	<b>58,022</b>	<b>0</b>	<b>58,022</b>
			<b>CURRENT LIABILITIES</b>			
(15,661)	0	(15,661)	<b>Short Term Creditors</b>	(33,738)	0	(33,738)
(64)	0	(64)	<b>Grant Receipts in Advance</b>	0	(925)	(925)
0	0	0	<b>Short Term Borrowing</b>		0	0
(488)	0	(488)	<b>Provisions</b>	(1,123)	0	(1,123)
	0				0	
<b>(16,213)</b>	<b>0</b>	<b>(16,213)</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>(34,861)</b>	<b>(925)</b>	<b>(35,786)</b>
<b>98,425</b>	<b>(3,915)</b>	<b>94,510</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>100,780</b>	<b>(4,512)</b>	<b>96,268</b>

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Original 01 April 2020 £000	Prior Period Adjustment £000	Restated 01 April 2020 £000		Original 31 March 2021 £000	Prior Period Adjustment £000	Restated 31 March 2021 £000
Original	Prior Period	Restated		Original	Prior Period	Restated
			<b>LONG TERM LIABILITIES</b>			
(12,800)	0	(12,800)	Long Term Borrowing	(12,800)	0	(12,800)
0	(378)	(378)	Grant Receipts in Advance	0	(576)	(576)
(36,335)	0	(36,335)	Other Long Term Liabilities (Net Pension Liability)	(39,243)	0	(39,243)
<b>(49,135)</b>	<b>(378)</b>	<b>(49,513)</b>	<b>LONG TERM LIABILITIES</b>	<b>(52,043)</b>	<b>(330)</b>	<b>(52,619)</b>
<b>49,290</b>	<b>(4,293)</b>	<b>44,997</b>	<b>NET ASSETS</b>	<b>48,737</b>	<b>(5,088)</b>	<b>43,649</b>
			<b>Usable Reserves</b>			
(1,474)	0	(1,474)	General Fund Balance	(1,500)	0	(1,500)
(14,079)	132	(13,947)	General Fund Earmarked Reserves	(28,204)	330	(27,874)
(2,923)	246	(2,677)	Capital Grants Unapplied (inc CIL)	(6,800)	1,171	(5,629)
(6,291)	0	(6,291)	Capital Receipts Reserve	(7,054)	0	(7,054)
<b>(24,767)</b>	<b>378</b>	<b>(24,389)</b>	<b>Usable Reserves</b>	<b>(43,558)</b>	<b>1,501</b>	<b>(42,057)</b>
			<b>Unusable Reserves</b>			
186	0	186	Untaken Absence Reserve	186	0	186
36,335	0	36,335	Notional Pensions Reserve	39,243	0	39,243
(19,814)	3,915	(15,899)	Capital Adjustment	(19,285)	3,588	(15,697)
(918)	0	(918)	Collection Fund Adjustment Account	12,264	0	12,264
(39,052)	0	(39,052)	Revaluation Reserve	(37,107)	0	(37,107)
0	0	0	Financial Instruments Adjustment Account		0	0
(1,260)	0	(1,260)	Deferred Capital Receipts	(480)	0	(480)
<b>(24,523)</b>	<b>3,915</b>	<b>(20,608)</b>	<b>Unusable Reserves</b>	<b>(5,179)</b>	<b>3,588</b>	<b>(1,591)</b>
<b>(49,290)</b>	<b>4,293</b>	<b>(44,997)</b>	<b>TOTAL RESERVES</b>	<b>(48,737)</b>	<b>5,089</b>	<b>(43,648)</b>

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**Prior Period Adjustment – Cash Flow Statement**

ORIGINAL 2020/21 £000		RESTATED 2020/21 £000
	<b>OPERATING ACTIVITIES</b>	
1,179	Net surplus or (deficit) on the provision of services	580
	<b>Adjusted for non-cash items:</b>	
3,624	Depreciation/amortisation/impairments	3,647
(17,826)	(Increase) / Decrease in Debtors	(17,826)
5,562	(Increase) / Decrease in Creditors	5,562
1,688	Movement in Pension Liability	1,688
635	Contribution to/(from) Provisions	635
32	Carrying amount of non-current assets sold	32
341	Movement in Investment Property values	38
<b>(5,944)</b>	<b>Total adjustment for non-cash items</b>	<b>(6,224)</b>
(5,272)	Adjusted for investing and financing activities	(5,318)
<b>(10,037)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>(10,962)</b>
	<b>INVESTING ACTIVITIES</b>	
(3,965)	Purchase of PPE, investment property and intangible assets	(3,965)
(54,000)	Purchase of short-term and long-term investments	(54,000)
59	Proceeds from the sale of PPE, investment property and intangible assets	1,275
47,000	Proceeds from short-term and long-term investments	47,000
6,053	Other receipts from investing activities	5,762
<b>(4,853)</b>	<b>Net Cash (Inflow) / Outflow from Investing Activities</b>	<b>(3,928)</b>
	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
11,659	Other receipts from financing activities	11,659
<b>11,659</b>	<b>Net Cash Flow from Financing Activities</b>	<b>11,659</b>
<b>(3,231)</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,231)</b>
9,233	Cash and cash equivalents at start of accounting period	9,233
6,002	Cash and cash equivalents at end of accounting period	6,002
<b>(3,231)</b>	<b>MOVEMENT PER THE BALANCE SHEET</b>	<b>(3,231)</b>

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**Prior Period Adjustment - Note 10 Expenditure and Funding Analysis**

As per 2020/21 Statement of Accounts	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
See Note 1 and below *	(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 and Resources	5,162	(224)	4,938	224	5,162
<b>Net cost of Services</b>	<b>15,533</b>	<b>(2,056)</b>	<b>13,477</b>	<b>2,507</b>	<b>15,984</b>
Other income and expenditure	(15,533)	(12,095)	(27,628)	10,465	(17,163)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>(14,151)</b>	<b>(14,151)</b>	<b>12,972</b>	<b>(1,179)</b>
<b>Opening General Fund Balances</b>			<b>(15,553)</b>		
Surplus/Deficit (-/+)			(14,151)		
<b>Closing General Fund Balances</b>			<b>(29,704)</b>		

Restated for change in organisational structure 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
People Welfare & Income Maximisation	2,268	(271)	1,997	271	2,268
Customer and Locality	2,291	(273)	2,018	273	2,291
Delivery and Commercial	6,167	(3,093)	3,074	3,520	6,594
Places and Environment	442	880	1,322	(880)	442
Strategy Innovation and Resources	5,162	(224)	4,938	224	5,162
<b>Net cost of Services</b>	<b>16,330</b>	<b>(2,981)</b>	<b>13,349</b>	<b>3,408</b>	<b>16,757</b>
Other income and expenditure	(16,330)	(11,023)	(27,353)	10,116	(17,337)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>(14,004)</b>	<b>(14,004)</b>	<b>13,424</b>	<b>(580)</b>
<b>Opening General Fund Balances</b>			<b>(15,421)</b>		
Surplus/Deficit (-/+)			(14,004)		
Adjustment not reflected in Movement in Reserves Statement			51		
<b>Closing General Fund Balances</b>			<b>(29,374)</b>		



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**Prior Period Adjustment - Note 11 Expenditure and Income analysed by Nature**

As per 2020/21 Statement of Accounts						
	Case Management	Customer & Locality	Delivery & Commercial	Specialist Services	Strategy Innov & Resources	CIES
	£000	£000	£000	£000	£000	£000
<b>Income:</b>						
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)
<b>Total</b>	<b>(945)</b>	<b>(127)</b>	<b>(7,586)</b>	<b>(27,454)</b>	<b>(1,567)</b>	<b>(37,679)</b>
<b>Expenditure:</b>						
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
<b>Total</b>	<b>2,797</b>	<b>2,418</b>	<b>14,332</b>	<b>27,387</b>	<b>6,729</b>	<b>53,663</b>
<b>Cost of services</b>	<b>1,852</b>	<b>2,291</b>	<b>6,746</b>	<b>(67)</b>	<b>5,162</b>	<b>15,984</b>
<b>Other income and expenditure on provision of services (per CIES )</b>						<b>(17,163)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>						<b>(1,179)</b>
<b>Reversal of funding adjustments:</b>						
*Capital adjustments	(91)	(185)	(3,183)	1,888	(172)	(1,743)
**Pension adjustments	(123)	(88)	(361)	(140)	(52)	(764)
<b>EFA column (iv) Cost of Services</b>	<b>(214)</b>	<b>(273)</b>	<b>(3,544)</b>	<b>1,748</b>	<b>(224)</b>	<b>(2,507)</b>
<b>Funding adjustments in other income and expenditure:</b>						
Pension						0
Depreciation						0
<b>Other adjustments as per note 9:</b>						
Value of non-current assets sold						(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
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>						<b>(12,972)</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>						<b>(14,151)</b>

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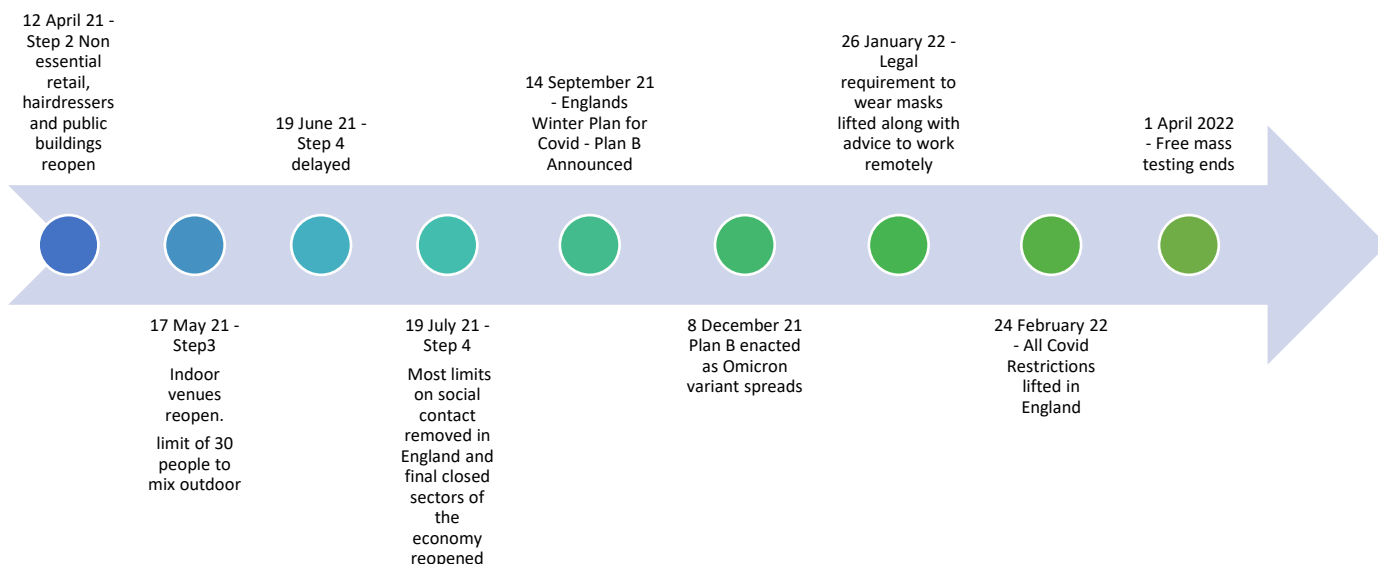
<b>2020/21 Restated for Change in Structure and Prior Period Adjustments</b>	<b>People Welfare &amp; Income Max</b>	<b>Customer &amp; Locality</b>	<b>Delivery &amp; Commercial</b>	<b>Places and Environment</b>	<b>Strategy Innov &amp; Resources</b>	<b>CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income:</b>						
Income from fees and charges	(402)	(125)	(4,528)	(1,747)	(132)	(6,934)
REFCUS income*	(852)	0	0	(1,083)	0	(1,935)
Grants and contributions	(15,043)	(2)	(3,218)	(8,347)	(1,435)	(28,045)
<b>Total</b>	<b>(16,297)</b>	<b>(127)</b>	<b>(7,746)</b>	<b>(11,177)</b>	<b>(1,567)</b>	<b>(36,914)</b>
<b>Expenditure:</b>						
Employees	1,935	1,151	4,964	2,699	4,120	14,869
Pension accounting adjustments**	123	88	361	140	52	764
Other Service Expenditure	15,507	994	5,856	8,717	2,385	33,459
Depreciation*	91	155	2,628	11	137	3,022
REFCUS*	909	0	0	35	35	979
Impairments*	0	30	531	17	0	578
<b>Total</b>	<b>18,565</b>	<b>2,418</b>	<b>14,340</b>	<b>11,619</b>	<b>6,729</b>	<b>53,671</b>
<b>Cost of services</b>	<b>2,268</b>	<b>2,291</b>	<b>6,594</b>	<b>442</b>	<b>5,162</b>	<b>16,757</b>
<b>Other income and expenditure on provision of services (per CIES )</b>						<b>(17,337)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>						<b>(580)</b>
<b>Reversal of funding adjustments:</b>						
*Capital adjustments	(148)	(185)	(3,159)	1,020	(172)	(2,644)
**Pension adjustments	(123)	(88)	(361)	(140)	(52)	(764)
<b>EFA column (iv) Cost of Services</b>	<b>(271)</b>	<b>(273)</b>	<b>(3,520)</b>	<b>880</b>	<b>(224)</b>	<b>(3,408)</b>
<b>Funding adjustments in other income and expenditure:</b>						
Pension						0
Depreciation						0
<b>Other adjustments as per note 9:</b>						
Value of non-current assets sold						(32)
Statutory provision for repayment of debt (MRP)						807
Capital expenditure financed from revenue						645
Capital grants/CIL unapplied credited to CIES						2,059
Transfer of non-current asset sales proceeds						651
Reversal of movement in investment property values						(38)
Reversal of other IAS19 items						(925)
Collection Fund Adjustment Account NDR						(13,183)
Accumulated Absences Account						0
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>						<b>(13,424)</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>						<b>(14,004)</b>

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**2a. Impact of Major Events**

**Covid-19**

The impact of the Covid-19 pandemic and the actions taken by Central Government to contain the virus, has continued to affect the Council in 2021/22. 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 2021/22.

	Balance 31 March 2021 £000	Funding Received 2021/22 £000	Distributed 2021/22 £000	Unused Grant Returned 2021/22 £000	Balance 31 March 2022 £000	Number of individual grants distributed
Closed Business Grants	(608)		86	0	(522)	54
Local Restrictions Support Grant Closed			0			0
Tier4 Closed Business Grant			16			65
January Local Restrictions Support Grant Closed	(2,111)	(36)	136	0	(1,860)	64
February Local Restrictions Support Grant Closed			136			73
Christmas Support Payments	(36)	(45)	72	9	0	1
Closed Business Lockdown Payment	(1,764)	0	219	0	(1,545)	64
Restart Grants	0	(32,682)	29,339	3,335	(8)	3,678
Omicron Hospitality & Leisure	0	(9,961)	7,129	0	(2,832)	2,361
<b>Total processed as agent</b>	<b>(4,519)</b>	<b>(42,724)</b>	<b>37,132</b>	<b>3,345</b>	<b>(6,767)</b>	<b>321</b>
Coronavirus Discretionary Grant Fund	0	0	0	0	0	0
Test and Trace Support Payments	(104)	(712)	788	0	(28)	1,500
Additional Restrictions Grant	(343)	(1,395)	1,733	0	(5)	637
Local Government Support Grant Open	133	(2,332)	2,174	0	(25)	3,252
Covid-19 Additional Relief Fund (NNDR)*	0	0	0	0	0	0
<b>Total processed as principal</b>	<b>(314)</b>	<b>(4,439)</b>	<b>4,695</b>	<b>0</b>	<b>(57)</b>	<b>5,389</b>
<b>Grand Total</b>	<b>(4,833)</b>	<b>(47,163)</b>	<b>41,827</b>	<b>3,345</b>	<b>(6,824)</b>	<b>5,710</b>

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\*In March 2022 the Council received £2.11m for a Covid-19 Additional Relief Fund to be shared amongst most affected business rate payers. Due to the lateness in receiving this funding the scheme did not go live until 2022/23 and therefore the income was accrued into 2022/23.

Of these grants, £37.1m 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 £4.695m 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 within Places and Environment 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 2022/23 and will either be paid out to recipients or repaid to central government.

In 2021/22 support continued to be given to business through the Non Domestic Rates system, in the form of expanded retail relief totalling £16.6m. 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 2021.

The Government changes legislation to protect Council tax payers from the impact of the 2020/21 exceptional deficit, by allowing it to be spread over 3 years. Therefore the Collection Fund adjustment account reserve, as shown in note 33 unusable reserves, is still higher than normal, as it still includes an element of the exceptional balance from 2020/21 to be released in future years.

The sales fees and charges grant compensation scheme was wound up on 30<sup>th</sup> June 2021 and the Council only received £116k in 2021/22 compared to £1.841m in 2020/21.

#### **Local Government Reorganisation (LGR)**

In July 2021 the UK Government announced its decision for the restructuring of Local Government in Cumbria, moving from six districts and one county to two unitary authorities one to the east of the County and the other to the west.

In January 2022 the Cumbria (Structural Changes) Order 2022 (SCO) was laid before parliament asking for permission for the Secretary of State to implement the proposals to abolish the existing seven Council's in Cumbria and the establishment of two new unitary Councils of Cumberland, and Westmorland and Furness with effect from 1<sup>st</sup> April 2023. This received Royal Assent on 18<sup>th</sup> March 2022.

Westmorland and Furness Council will cover the combined area of Barrow Borough Council, Eden District Council and South Lakeland District Council and their website can be accessed using the following link.  
<https://www.westmorlandandfurness.gov.uk/>

Since the initial announcement in July 2021, the existing 7 council's in Cumbria have been working together to plan and implement the change and following the SCO becoming law on 18<sup>th</sup> March 2022, South Lakeland District Council contributed £1.577m to an Implementation Reserve which is being managed by Cumbria County Council.

Cumbria County Council will be accounting for all future spend against this reserve and they will not be shown in South Lakeland District Council's accounts. Monitoring of spend against the reserve will be reported to the new unitary councils cabinets/executives.

The existing 7 councils will continue to run all services until 1<sup>st</sup> April 2023, when they will be transferred to the new authority.

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**Note 2b – Demise of the Organisation**

Given local government reorganisation South Lakeland District Council will cease to exist on 31 March 2023. The assets and liabilities of this Council will transfer to the new Westmorland and Furness Council on 1 April 2023 and there will be continuation of service delivery between this Council and the new Council.

**3. 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 2021/22 Code of Practice of Local Authority Accounting in the United Kingdom:

- Annual Improvement to IFRS Standards 2018/2020. The annual IFRS improvement programme notes 4 changed standards –
  - IFRS 1 (First Time Adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS,
  - IAS 37 (Onerous Contracts) – clarifies the intention of the standard,
  - IFRS 16 (Leases) – an amendment that does not apply to the guidance local authorities are required to follow, and
  - IAS41 (Agriculture) – one of a small number of IFRS's that are only expected to apply to local authorities in limited circumstances
- Property, Plant and Equipment: proceeds before intended use (amendments to IAS 16)

None of these have an impact of the Council's accounts for 2021/22.

**4. 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.

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

The Statement of Accounts contains estimated figures. These take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 for which there could potentially be a material adjustment in the forthcoming financial year are:

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Description	Detail	Consequences
Property Plant and Equipment (PPE) (Balance Sheet values 31 March 22 £75.1 m 31 March 21 £69.2m)	<p>Values of assets are dependent on outside market forces that are reliant on national and global economic conditions.</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 £110k 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 £4.09m 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 22 £2.5m 31 March 21 £2.4m)	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>A reduction of 10% in the value of assets would reduce the net worth of the Council by £0.25m. 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>
Arrears	At 31 March 2022, the Council had a net balance of £16.4m for short term debtors (£25.9m at 31 March 2021). Against this is an impairment allowance of £2.32m (£2.25m at 31 March 2021).	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 2022 £30.6m 31 March 2021 £39.2m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide Cumbria County Council, the administering authority, with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured, however, there are statutory over-rides in place to ensure that the impact on the Council's usable reserves is limited to the amounts actually payable in year.</p> <p>Note 35 includes sensitivity analysis of the impact of changes in actuarial assumptions on plan assets and liabilities.</p>

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

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

	<b>RESTATED</b>	
	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Housing Benefit Payments (within People, Welfare and Income Maximisation)	14,250	12,814
Housing Benefit Subsidy (within People, Welfare and Income Maximisation)	(14,140)	(12,818)
Car Park Income (within Delivery and Commercial)	(2,464)	(4,947)
Disabled Facilities Grant (within People, Welfare and Income Maximisation)	(851)	(842)
Disabled Facilities Grant spent (within People, Welfare and Income Maximisation)	262	547
Lake Windermere Income (within Delivery and Commercial)	(1,392)	(1,501)
SLDC share of Right to Buy receipts (within surplus on disposal of non-current assets)	(364)	(644)
Recycling Credits (within Delivery and Commercial)	(1,494)	(1,538)
Economic Development Projects Grant (within Place and Environment)	(1,032)	0
Cross-a-moor Roundabout Spend (within Place and Environment)	0	(5,135)
Cross-a-moor Roundabout Contribution (within Place and Environment)	0	4,678
Community Infrastructure Levy (within Taxation and Non-Specific Grant Income)	(998)	(1,263)
Covid Grants (within Specialists and Taxation and Non-Specific Grant Income (see note 2))	(8,565)	(4,695)
Other Covid related support - grants (within Strategy and Resources)	353	622
Other Covid related support - grants (within Strategy and Resources)	(663)	(729)
Revaluation of Car Parking included within Other CIES	849	0
Revaluation of Public Offices (within Delivery and Commercial and Other CIES)	940	0
Revaluation of Public Halls (within Delivery and Commercial and Other CIES)	0	774
Revaluation of Lake Assets (within Delivery and Commercial and Other CIES)	0	579
Revaluation of Leisure Centres within Other CIES	0	2,437

The timing of recognition of the Cross-a-Moor roundabout contribution has been reviewed: £925,000 received in 2020/21 has now been treated as a capital grant received in advance and therefore does not appear in the restated 2020/21 figures but is included in 2021/22 as the conditions of the grant have now been met.

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

**7. Events after the Balance Sheet Date**

The unaudited Statement of Accounts was authorised for issue by the Finance Lead Specialist (S151 Officer) on 5<sup>th</sup> July 2022 who also authorised the audited Statement for issue on 11<sup>th</sup> November 2022.

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.

The unaudited accounts included disclosures in Note 31. Contingent Liabilities concerning litigation the Council was conducting as part of its Health and Safety responsibilities. This case was heard in 24 June 2022. Guilty pleas had been entered previously. Fines were imposed and costs were awarded to the Council to contribute to the cost of bringing the prosecution.

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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.

	RESTATED Balance 31 March 2020 £000	RESTATED Transfers out £000	RESTATED Transfers in £000	RESTATED Balance 31 March 2021 £000	Transfers out £000	Transfers in £000	Balance 31 March 2022 £000
General Reserve	(4,943)	48	(943)	(5,838)	1,701	(715)	(4,852)
Carry Forward Reserve	(202)	202	(440)	(440)	440	(755)	(755)
Statutory Duties Reserve	(150)			(150)	70	(6)	(86)
Flooding Costs Reserve	0			0			0
Debt Redemption Reserve	0		(30)	(30)			(30)
Economic Development Fund	(320)	81		(239)			(239)
Kendal Employment Development Fund	0			0			0
Revenue Funds for Capital	(387)	256	(100)	(231)	87	(100)	(244)
Building Control Fee Income Reserve	11	173	(173)	11			11
Local Land Charges Reserve	9	24	(24)	9			9
Licensing Reserves	(71)	476	(571)	(166)	98	(117)	(185)
Second Homes Income Reserve	0			0			0
IT Replacement Reserve	(23)	58	(80)	(45)		(80)	(125)
Revs and Bens IT reserve	0			0			0
LABGI (Local Authority Business Growth Initiative)	(5)			(5)			(5)
Planning Delivery Grant Fund	0			0			0
Waste Contract Reserve	0			0			0
Local Arts Strategic Partnership Reserve	(30)			(30)			(30)
New Homes Bonus Reserve	(1,659)	138	(433)	(1,954)	393	(64)	(1,625)
General Fund Major Repairs Reserve	(280)	31	(150)	(399)	43	(50)	(406)
Social Lettings Reserve	0			0			0
NNDR Surplus Reserve	0		(11,701)	(11,701)	11,235	(6,851)	(7,317)
Cumbria NDR Pool Income Reserve	(2,302)	75	(593)	(2,820)	373	(897)	(3,344)
Cumbria NDR Pool volatility Reserve	(217)		(147)	(364)		(223)	(587)
Commuted Sums Reserve	0	0	0	0	0	0	0
LSVT Environmental Warranties	(282)			(282)			(282)
Customer Connect Reserve	(813)	23		(790)	237		(553)
Marshall Hooper Reserve	(37)			(37)			(37)
Personal Financial Resilience Fund	(53)	9	(42)	(86)	14	(25)	(97)
Climate Change Reserve	(194)	111		(83)	38		(45)
Improving South Lakeland Reserve	(30)			(30)			(30)
Neighbourhood Plans	0		(25)	(25)			(25)
Council Tax Hardship Grant	0		(76)	(76)	25		(51)
Tax Income Guarantee Scheme	0		(252)	(252)	84		(168)
Community Housing Fund	(1,968)	367	(220)	(1,821)	538	(156)	(1,439)
<b>Total Earmarked Revenue Reserves</b>	<b>(13,946)</b>	<b>2,072</b>	<b>(16,000)</b>	<b>(27,874)</b>	<b>15,376</b>	<b>(10,039)</b>	<b>(22,537)</b>
<b>Other Reserves</b>							
Usable capital receipts	(6,291)	668	(1,431)	(7,054)	181		(6,873)
CIL Fund Reserve	(1,115)	(84)	(913)	(2,112)		(1,063)	(3,175)
Capital Grants Unapplied	(1,562)	1,041	(2,996)	(3,517)	3,797	(5,039)	(4,759)
GF Working balance	(1,474)		(26)	(1,500)			(1,500)
<b>Total Usable Reserves</b>	<b>(24,388)</b>	<b>3,697</b>	<b>(21,366)</b>	<b>(42,057)</b>	<b>19,354</b>	<b>(16,141)</b>	<b>(38,844)</b>

**Purpose of Reserves**

**General Fund Earmarked Reserves:**

- *General Reserve* – Buffer against financial risks; pension rates, government grants, investment income. Assistance towards the costs of risk management.



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- *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.
- *Debt Redemption Reserve* – resources set aside from underspends on financing costs for potential future repayment of borrowings to reduce strain on the revenue budget.
- *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.
- *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: now treated as capital grants received in advance.
- *LSVT (Large Scale Voluntary Transfer) Environmental Warranties* – Monies set aside as part of the housing transfer in 2012 to provide insurance to mitigate the potential costs of guarantees given for 30 years.
- *Customer Connect Reserve* –Sums to be drawn down as required to support the implementation of the Customer Connect Programme.
- *Marshall Hooper Reserve* – This is a legacy to fund housing schemes around Grange-over-Sands.
- *Personal Financial Resilience Reserves* - established in 2018/19 from unclaimed members allowances to fund initiatives to reduce poverty.
- *Climate Change Reserve* – 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.

Lines or columns marked \* have been restated following a prior period adjustment. Please see note 1 for further details

<b>RESTATED</b>	General	Capital	Capital	Total	Total	Total
<b>2020/21</b>	Fund	Receipts	Grants/ Levy	Usable	Unusable	Authority
	Balances	Reserve	Unapplied	Reserves	Reserves	Reserves
	£000	£000	£000	£000	£000	£000
<b>Capital Adjustment Account</b>						
<b>Reversal of items recognised in the CIES</b>						
Amortisation of intangible fixed assets	(139)			(139)	<b>139</b>	<b>0</b>
Depreciation	(2,884)			(2,884)	<b>2,884</b>	<b>0</b>
Impairment/revaluation losses to I&E	<b>(578)</b>			(578)	<b>578</b>	<b>0</b>
Movement in market value of Investment Properties	(38)			(38)	<b>38</b>	<b>0</b>
Movement in value of held for sale assets				0	<b>0</b>	<b>0</b>
Revenue funded from Capital under Statute (REFCUS)	(979)			(979)	<b>979</b>	<b>0</b>
REFCUS grants received	1,935		(1,637)	298	<b>(298)</b>	<b>0</b>
Capital Grants applied			597	597	<b>(597)</b>	<b>0</b>
Value of non-current assets sold	(32)			(32)	<b>32</b>	<b>0</b>
				0	<b>0</b>	<b>0</b>
<b>Items not recognised in the CIES</b>						
Statutory provision for repayment of debt (MRP)	<b>807</b>			807	<b>(807)</b>	<b>0</b>
Voluntary revenue provision for capital financing				0	<b>0</b>	<b>0</b>
Statutory repayment of debt Finance leases				0	<b>0</b>	<b>0</b>
Capital expenditure financed from revenue	645			645	<b>(645)</b>	<b>0</b>
<b>Capital grants/CIL unapplied credited to CIES</b>	2,059		(2,059)	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments involving Capital Receipts</b>						
Transfer of non-current asset sales proceeds	651	(214)		437	<b>(436)</b>	<b>1</b>
Use of Capital Receipts to fund capital expenditure		668		668	<b>(668)</b>	<b>0</b>
Transfer from deferred receipts on receipt of cash		(1,216)		(1,216)	<b>1,216</b>	<b>0</b>
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of retirement benefits debited or credited to CIES	(4,111)			(4,111)	<b>4,111</b>	<b>0</b>
Employer's payments in the year	2,423			2,423	<b>(2,423)</b>	<b>0</b>
<b>Collection Fund Adjustment Account NDR</b>	(13,001)			(13,001)	<b>13,001</b>	<b>0</b>
<b>Collection Fund Adjustment Account Council Tax</b>	<b>(182)</b>			(182)	<b>182</b>	<b>0</b>
<b>Accumulated Absences Account</b>				<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(13,424)</b>	<b>(762)</b>	<b>(3,099)</b>	<b>(17,285)</b>	<b>17,286</b>	<b>1</b>

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2021/22	General Fund Balances £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Capital Adjustment Account</b>						
<b>Reversal of items recognised in the CIES</b>						
Amortisation of intangible fixed assets	(136)			(136)	136	0
Depreciation	(2,796)			(2,796)	2,796	0
Impairment/revaluation losses to I&E	(1,620)			(1,620)	1,620	0
Movement in market value of Investment Properties	72			72	(72)	0
Movement in value of held for sale assets				0	0	0
Revenue funded from Capital under Statute (REFCUS)	(5,767)			(5,767)	5,767	0
Grants applied on REFCUS	5,994		(1,245)	4,749	(4,749)	0
Capital grants applied			314	314	(314)	0
Value of non-current assets sold	(33)			(33)	33	0
					0	0
<b>Items not recognised in the CIES</b>						
Statutory provision for repayment of debt (MRP)	975			975	(975)	0
Voluntary revenue provision for capital financing				0	0	0
Statutory repayment of debt Finance leases				0	0	0
Capital expenditure financed from revenue	1,181			1,181	(1,181)	0
<b>Capital grants/CIL credited to CIES</b>	1,374		(1,374)	0	0	0
<b>Adjustments involving Capital Receipts</b>						
Transfer of non-current asset sales proceeds	964	(219)		745	(746)	(1)
Use of Capital Receipts to fund capital expenditure		836		836	(836)	0
Financing of payments to Capital receipts pool				0	0	0
Transfer from deferred receipts on receipt of cash		(436)		(436)	436	0
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of retirement benefits debited or credited to CIES	(5,298)			(5,298)	5,298	0
Employer's payments in the year	2,472			2,472	(2,472)	0
<b>Collection Fund Adjustment Account NDR</b>	5,398			5,398	(5,398)	0
<b>Collection Fund Adjustment Account Council Tax</b>	97			97	(97)	0
<b>Accumulated Absences Account</b>	(131)			(131)	132	1
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>2,746</b>	<b>181</b>	<b>(2,305)</b>	<b>622</b>	<b>(622)</b>	<b>0</b>

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**COMPREHENSIVE INCOME AND EXPENDITURE**

**10. Expenditure and Funding Analysis**

Lines or columns marked \* have been restated following a prior period adjustment. Please see note 1 for further details.

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).

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
People Welfare & Income Max *	2,268	(271)	1,997	271	2,268
Customer and Locality	2,291	(273)	2,018	273	2,291
Delivery and Commercial *	6,167	(3,093)	3,074	3,520	6,594
Places & Environment *	442	880	1,322	(880)	442
Strategy Innovation & Resources	5,162	(224)	4,938	224	5,162
Local Government Reorganisation	0	0	0	0	0
<b>Net cost of Services</b>	<b>16,330</b>	<b>(2,981)</b>	<b>13,349</b>	<b>3,408</b>	<b>16,757</b>
Other income and expenditure	(16,330)	(11,023)	(27,353)	10,016	(17,337)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>(14,004)</b>	<b>(14,004)</b>	<b>13,424</b>	<b>(580)</b>

**Opening General Fund Balances**

Surplus/Deficit (-/+)

Adjustment Not reflected in the Movement in Reserves Statement

**Closing General Fund Balances**

(15,421)

(14,004)

51

(29,374)

2021/22	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
People Welfare & Income Maximisation	1,709	(288)	1,421	315	1,736
Customer and Locality	2,500	(375)	2,125	397	2,522
Delivery and Commercial	6,865	(5,521)	1,344	5,011	6,355
Places and Environment	557	(18)	539	62	601
Strategy Innovation and Resources	7,516	(2,026)	5,490	450	5,940
Local Government Reorganisation	0	1,576	1,576	0	1,576
<b>Net cost of Services</b>	<b>19,147</b>	<b>(6,652)</b>	<b>12,495</b>	<b>6,235</b>	<b>18,730</b>
Other income and expenditure	(19,147)	11,987	(7,160)	(8,981)	(16,141)
<b>Surplus/Deficit on Provision of Services</b>	<b>0</b>	<b>5,335</b>	<b>5,335</b>	<b>(2,746)</b>	<b>2,589</b>

**Opening General Fund Balances**

Surplus/Deficit (-/+)

**Closing General Fund Balances**

(29,374)

5,335

(24,039)

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**

Lines or columns marked \*\*\* have been restated following a prior period adjustment. Please see note 1 for further details.

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).

<b>2020/21 RESTATED See Note 1</b>	<b>People Welfare &amp; Income Max</b>	<b>Customer &amp; Locality</b>	<b>Delivery &amp; Commercial</b>	<b>Places and Environment</b>	<b>Strategy Innov &amp; Resources</b>	<b>Local Govt Reorg'n</b>	<b>CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income:</b>							
Income from fees and charges	(402)	(125)	(4,528)	(1,747)	(132)	0	(6,934)
REFCUS income*	(852)	0	0	(1,083)	0	0	(1,935)
Grants and contributions	(15,043)	(2)	(3,218)	(8,347)	(1,435)	0	(28,045)
<b>Total</b>	<b>(16,297)</b>	<b>(127)</b>	<b>(7,746)</b>	<b>(11,177)</b>	<b>(1,567)</b>	<b>0</b>	<b>(36,914)</b>
<b>Expenditure:</b>							
Employees	1,935	1,151	4,964	2,699	4,120	0	14,869
Pension accounting adjustments**	123	88	361	140	52	0	764
Other Service Expenditure	15,507	994	5,856	8,717	2,385	0	33,459
Depreciation*	91	155	2,628	11	137	0	3,022
REFCUS*	909	0	0	35	35	0	979
Impairments*	0	30	531	17	0	0	578
<b>Total</b>	<b>18,565</b>	<b>2,418</b>	<b>14,340</b>	<b>11,619</b>	<b>6,729</b>	<b>0</b>	<b>53,671</b>
<b>Cost of services</b>	<b>2,268</b>	<b>2,291</b>	<b>6,594</b>	<b>442</b>	<b>5,162</b>	<b>0</b>	<b>16,757</b>
<b>Other income and expenditure on provision of services (per CIES )</b>							<b>(17,337)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>							<b>(580)</b>
<b>Reversal of funding adjustments:</b>							
*Capital adjustments	(148)	(185)	(3,159)	1,020	(172)	0	(2,644)
**Pension adjustments	(123)	(88)	(361)	(140)	(52)	0	(764)
<b>EFA column (iv) Cost of Services</b>	<b>(271)</b>	<b>(273)</b>	<b>(3,520)</b>	<b>880</b>	<b>(224)</b>	<b>0</b>	<b>(3,408)</b>
<b>Funding adjustments in other income and expenditure:</b>							
Pension							0
Depreciation							0
<b>Other adjustments as per note 9:</b>							
Value of non-current assets sold							(32)
Statutory provision for repayment of debt (MRP)							807
Capital expenditure financed from revenue							645
Capital grants/CIL unapplied credited to CIES							2,059
Transfer of non-current asset sales proceeds							651
Reversal of movement in investment property values							(38)
Reversal of other IAS19 items							(925)
Collection Fund Adjustment Account NDR							(13,183)
Accumulated Absences Account							0
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>							<b>(13,424)</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>							<b>(14,004)</b>

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2021/22

	People Welfare & Income Max £000	Customer & Locality £000	Delivery & Commercial £000	Places and Environment £000	Strategy Innov & Resources £000	Local Govt Reorg'n £000	CIES £000
<b>Income:</b>							
Income from fees and charges	(561)	(75)	(7,467)	(2,832)	(110)	0	(11,045)
REFCUS income*	(842)	0	0	(5,152)	0	0	(5,994)
Grants and contributions	(13,852)	(8)	(1,563)	(5,272)	(573)	0	(21,268)
<b>Total</b>	<b>(15,255)</b>	<b>(83)</b>	<b>(9,030)</b>	<b>(13,256)</b>	<b>(683)</b>	<b>0</b>	<b>(38,307)</b>
<b>Expenditure:</b>							
Employees	2,150	1,248	5,432	2,705	4,245	0	15,780
Pension accounting adjustments**	276	194	803	354	283	0	1,910
Other Service Expenditure	13,684	960	4,942	5,938	1,928	1,576	29,028
Depreciation*	91	177	2,519	6	139	0	2,932
REFCUS*	801	0	84	4,854	28	0	5,767
Impairments*	(11)	26	1,605	0	0	0	1,620
<b>Total</b>	<b>16,991</b>	<b>2,605</b>	<b>15,385</b>	<b>13,857</b>	<b>6,623</b>	<b>1,576</b>	<b>57,037</b>
<b>Cost of services</b>	<b>1,736</b>	<b>2,522</b>	<b>6,355</b>	<b>601</b>	<b>5,940</b>	<b>1,576</b>	<b>18,730</b>
<b>Other income and expenditure on provision of services (per CIES )</b>							<b>(16,141)</b>
<b>Net surplus/deficit on provision of services (per CIES and EFA column (v))</b>							<b>2,589</b>
<b>Reversal of funding adjustments:</b>							
*Capital adjustments	(39)	(203)	(4,208)	292	(167)	0	(4,325)
**Pension adjustments	(276)	(194)	(803)	(354)	(283)	0	(1,910)
<b>EFA column (iv) Cost of Services</b>	<b>(315)</b>	<b>(397)</b>	<b>(5,011)</b>	<b>(62)</b>	<b>(450)</b>	<b>0</b>	<b>(6,235)</b>
<b>Funding adjustments in other income and expenditure:</b>							
Pension							0
Depreciation							0
<b>Other adjustments as per note 9:</b>							
Value of non-current assets sold							(33)
Statutory provision for repayment of debt (MRP)							975
Capital expenditure financed from revenue							1,181
Capital grants/CIL unapplied credited to CIES							1,374
Transfer of non-current asset sales proceeds							964
Reversal of movement in investment property values							72
Reversal of other IAS19 items							(916)
Collection Fund Adjustment Account NDR							5,495
Accumulated Absences Account							(131)
<b>Adjustments between accounting and funding basis (EFA column (iv))</b>							<b>2,746</b>
<b>Total movement on General Fund balances (Per MIRS and EFA column (iii))</b>							<b>5,335</b>

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.

	<b>RESTATED</b>	
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation to EFA column (ii):</b>		
Reverse EFA column (iv) Cost of Services	(3,408)	(6,235)
<b>Less presentation adjustments of corporate items:</b>		
Trading accounts	0	0
Investment properties within Strategic Development	398	110
Investment properties within Neighbourhood Services	4	4
CIL income	0	0
<b>EFA column (II) Cost of Services</b>	<b>(3,006)</b>	<b>(6,121)</b>
<b>Other Income and Expenditure adjustments</b>		
Service items presented corporately	(402)	(114)
Capital charges in corporate items	0	0
Pension adjustments in corporate items	0	0
Reversal of total capital items	2,644	4,325
Reversal of total pension items	764	1,910
Net movement on Reserves	(14,004)	5,335
<b>EFA column (II) other I&amp;E</b>	<b>(10,998)</b>	<b>11,456</b>
<b>EFA column (ii) total</b>	<b>(14,004)</b>	<b>5,335</b>

## 12. Revenue from Contracts

The Council's income that includes contractual arrangements is shown in Note 11 and amounts to £11.0m (£6.5m 2020/21). The majority of this income involves payment for services at the time of delivery e.g. Car Park Income (£4.9m 2021/22, £2.5m 2020/21) or that will be delivered within the financial year e.g. Lake Windermere charges (£1.5m 2021/22, £1.4m 2020/21).

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
- ERDF Funded Flood Defence – acting as the accountable body for Environment Agency flood defence works in Kendal.
- 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 and to deliver a flood relief scheme in Kendal.

The Council also has an agency agreement with the following:

- The Camping and Caravanning Club, who run Braithwaite Fold Caravan Site on our behalf. From 1<sup>st</sup> October 2021 this became a lease agreement.

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- South Lakes Housing – collection of rents at Town View Fields Hostel, Hampsfell Road Units, and 2 other homes owned by the Council

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 (£339k gross) within SLDC's CIES on the grounds that having the gross figures would not reflect the underlying relationship, i.e. that this is a shared service rather than SLDC providing a service to another authority.

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

	<b>2020/21</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
<b>SLDC Acting as Agent for Other Organisations</b>		
Income paid over to organisations and individuals	1,375	4258
Management fees received by SLDC	(70)	(114)
 Covid-19 grants paid to organisations and individuals	 106,413	 37,136
Management fee for Covid-19 grants	(537)	(266)
 <b>Other Organisations Acting as Agent for SLDC</b>		
Income Received	(320)	(193)
Agency Fee Paid By SLDC	46	20

£69.3m of the decrease in income paid over to organisations and individuals between the two years is due to a reduction in Covid-19 grant schemes, administered by SLDC on behalf of Central Government. 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 £37.1m the Council also held £6.8m 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.

The Council, also holds £5.2m in energy rebate grant on an agency basis, received from central government at the end of March for distribution in 2022/23. This is being held in a separate bank accounts and shown within the cash and cash equivalents amount (see Note 27) and therefore has a creditors for the same amount at the end of the year.

Income relating to shared ownership car parks and Lake Windermere was £451k higher than the previous year due to the economic recovery following the Covid-19 pandemic and lockdown restrictions.

ERDF Funded Flood Defence shows an increase of £2.4m in monies administered by SLDC as accountable body, compared to the previous year. Expenditure on ERDF works of £0.9m has been added to 2020/21 as it was omitted in error.

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 and refurbishment. Also, from 1<sup>st</sup> October 2021 a new operating agreement was reached and this became a lease rather than agency agreement. This was partly offset by additional income from the hostels as Covid-19 restrictions were removed.



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**14. Members' Allowances**

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

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Allowances	246	272
Expenses	1	3
<b>Total</b>	<b>247</b>	<b>275</b>

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

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

		<b>Salary, Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Compensation for loss of office</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	2020/21	114	1	0	23	138
	<b>2021/22</b>	<b>116</b>	<b>1</b>	<b>0</b>	<b>23</b>	<b>140</b>
Director of Strategy Innovation and Resources	2020/21	81	1	0	16	98
	<b>2021/22</b>	<b>82</b>	<b>1</b>	<b>0</b>	<b>16</b>	<b>99</b>
Director of Customer and Commercial Services	2020/21	81	1	0	16	98
	<b>2021/22</b>	<b>82</b>	<b>1</b>	<b>0</b>	<b>16</b>	<b>99</b>
Finance Lead Specialist	2020/21	59	0	0	12	71
	<b>2021/22</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>74</b>
Operational Lead Support Services	2020/21	58	1	0	12	71
	<b>2021/22</b>	<b>60</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>73</b>
Legal, Governance and Democracy Specialist (Monitoring Officer)	2020/21	57	1	0	12	70
	<b>2021/22</b>	<b>58</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>71</b>
Head of Shared ICT	2020/21	54	1	0	11	66
	<b>2021/22</b>	<b>57</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>70</b>
Operational Lead Delivery and Commercial Services	2020/21	54	1	0	11	66
	<b>2021/22</b>	<b>56</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>68</b>
Operational Lead Places & Environment	2020/21	50	1	0	10	61
	<b>2021/22</b>	<b>52</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>64</b>
Operational Lead Customer & Locality Services **	2020/21	50	1	0	10	61
	<b>2021/22</b>	<b>52</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>64</b>
Human Resources Lead Specialist *	2020/21	48	1		9	58
	<b>2021/22</b>	<b>40</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>49</b>
Operational Lead People, Welfare & Income Maximisation **	2020/21	0	0	0	0	0
	<b>2021/22</b>	<b>52</b>	<b>1</b>	<b>0</b>	<b>10</b>	<b>63</b>
Operational Lead Strategy***	2020/21	0	0	0	0	0
	<b>2021/22</b>	<b>52</b>	<b>1</b>	<b>0</b>	<b>10</b>	<b>63</b>

\* The post holder left during the year and has been replaced. If employed for a full year then the post holder would have earned £52,791.

\*\* This post was divided into separate roles and both now meet the disclosure requirement for 21/22 but separately did not meet it for 20/21.

\*\*\*This post did not meet disclosure requirement in 20/21.

The pension figures use the primary rate of 20.1% (20.1% for 2020/21) 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 2020/21 and 2021/22 are shown in the table below:

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**Banding Note**

	<b>2020/21 Number of employees</b>	<b>2021/22 Number of employees</b>
£50,000 - £54,999	6	5
£55,000 - £59,999	3	3
£60,000 - £64,999	0	2
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £99,999	2	2
£100,000- £119,999	1	1
<b>Total</b>	<b>12</b>	<b>13</b>

13 Senior Officers met the banding note requirement in (2021/22) compared to 12 Senior Officers in (2020/21). In 2021/22 there was 1 redundancy amount paid although this was actually below the disclosure requirement and was taken into account in previous years (2019/20).

Of the 13 Officers there is one that meets the Officer Remuneration requirement as a Head of Service but does not meet the Banding Note due to leaving part way through the year, and 1 Officer who does not meet the Officer Remuneration requirement but does meet the Banding Note.

**Exit Packages**

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
£0 - £40,000	0	0	3	5	3	5	34	10
<b>TOTAL</b>	0	0	3	5	3	5	34	10
<b>Note:</b>	<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.

**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 2020/21 and 2021/22 was Grant Thornton UK LLP.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Fees payable to the appointed auditor for external audit services	67	72
Additional 2019/20 fee for external audit services	9	0
Redmond Review Local Audit Fees Grant 2021/22	0	(22)
Re-imbursement from PSAA relating to surplus funds 2020/21	0	(8)
Fees payable for HB certification	27	27
<b>Total</b>	<b>103</b>	<b>69</b>

The 2021/22 fees payable of £70k for external audit are taken from the Grant Thornton Audit letter. These include the £46k scale fee published by PSAA and fee variations of £23,950, which include work related to pension valuation, PPE valuation, quality or preparation issues, Value for Money commentary, Covid-19, increased FRC challenge, reduced materiality, ISA540 and other areas.

As a response to the recommendations of the Redmond Review, DLUHC have provided funding to Local Authorities in 2021/22 to help with increased audit fee costs. SLDC's allocation was £22k. Additionally income was also received from PSAA of £8k relating to surplus funds from 2020/21.

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Fees paid for non-audit services include £27k for 2021/22 Housing Benefit certification. Additional fees of £9k which were payable in 2020/21 related to Covid-19 audit risk and adjustments made to allow for remote working to complete the 2019/20 audit.

**17. Grant Income**

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

	<b>RESTATED 2020/21 £000</b>	<b>2021/22 £000</b>
<b>Specific Grant Credited to Services:</b>		
Department for Works and Pensions -		
Housing Benefit Subsidy	(14,104)	(12,765)
Housing Benefit Administration grant	(167)	(157)
Housing Benefits Local Scheme	(18)	(15)
Other Revenue and Benefits Grants	(64)	(49)
Department of Levelling Up, Housing and Communities (previously MHCLG)		
NNDR grants	(322)	(305)
Sales, Fees and Charges Grant (incl £78k in Invest Prop in CIES)	(1,841)	(116)
Rough Sleeping and Homelessness	0	(246)
Council Tax Reduction Scheme Admin grant	(77)	(81)
New Homes Bonus	(393)	(65)
Council Tax Support Grant	(130)	(45)
Domestic Abuse Victim Support	0	(33)
Local Audit	0	(22)
Local Election Funding	0	(17)
Transparency Grant	0	(8)
Flexible Homelessness Support	(111)	0
Local Council Tax Discounts	(42)	0
Preventing Homelessness	(111)	0
Planning Grants	(1)	0
Rural Services Delivery Grant	(434)	0
Elections	(31)	(170)
Rough Sleeping Initiative	0	(90)
Ulverston Masterplan	0	(52)
Apprenticeship Training Grant	(8)	(17)
Supported Accommodation	0	(12)
Green Homes	0	(5)
Food Standards Agency - Recovery Grant	0	(4)
Natasha's Law	0	(4)
Bathing Water	0	(2)
DEFRA grant for Taxi Database	(1)	(1)
Individual Electoral Registration and Transformation	(8)	0
Rapid Rehousing Grant	(63)	0
Sports England funding re Leisure Partnership	(194)	0
PCC Community Safety Partnership Co-ordinator Admin	(8)	0
Economic Development	(13)	0
Grants funding REFCUS (DFG, Conservation and CIL)	(1,935)	(5,994)
<b>Total Specific Grant credited to Cost of Services</b>	<b>(20,076)</b>	<b>(20,275)</b>
<b>Contributions Credited to Cost of Services</b>		
Recycling Credit Contributions	(1,494)	(1,538)
Other Contributions	(81)	(104)
<b>Total Contributions credited to Cost of Services</b>	<b>(1,575)</b>	<b>(1,642)</b>
<b>Covid-19 Grants - disbursed on behalf of government</b>	<b>(8,565)</b>	<b>(5,160)</b>
<b>Total Grants and contributions credited to Cost of Services</b>	<b>(30,216)</b>	<b>(27,077)</b>

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

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**BALANCE SHEET**

**18. Property, Plant and Equipment**

Lines or columns marked \* have been restated following a prior period adjustment. Please see note 1 for further details.

Movements on Balances

RESTATED							RESTATED
Movements in 2020/21	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>62,012</b>	<b>13,283</b>	<b>1,216</b>	<b>507</b>	<b>58</b>	<b>270</b>	<b>77,346</b>
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	(447)	(458)	0	11	437	0	(457)
<b>At 31 March 2021</b>	<b>59,073</b>	<b>14,617</b>	<b>1,216</b>	<b>515</b>	<b>3,394</b>	<b>270</b>	<b>79,085</b>
<b>Accumulated Depreciation</b>							
<b>at 1 April 2020</b>	<b>(734)</b>	<b>(7,725)</b>	<b>(285)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(8,745)</b>
depreciation charge in the year	(1,840)	(1,022)	(21)	0	0	0	(2,883)
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
<b>At 31 March 2021</b>	<b>(1,327)</b>	<b>(8,257)</b>	<b>(306)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,890)</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>61,2782</b>	<b>5,558</b>	<b>931</b>	<b>507</b>	<b>57</b>	<b>270</b>	<b>68,601</b>
<b>at 31 March 2021</b>	<b>57,746</b>	<b>6,360</b>	<b>910</b>	<b>515</b>	<b>3,394</b>	<b>270</b>	<b>69,195</b>

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

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<b>Movements in 2021/22</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>59,073</b>	<b>14,617</b>	<b>1,216</b>	<b>515</b>	<b>3,394</b>	<b>270</b>	<b>79,085</b>
additions	362	1,270	0	0	2,739	0	4,371
enhancements	236	242	0	51	43	0	572
disposals	(19)	(1,212)	(98)	0	0	0	(1,329)
revaluations recognised in RR	3,067	0	0	(36)	0	20	3,051
revaluations recognised in I&E	(1,569)	0	0	(50)	0	0	(1,619)
assets reclassified	3,388	(825)	0	50	(3,437)	(50)	(874)
<b>At 31 March 2022</b>	<b>64,538</b>	<b>14,092</b>	<b>1,118</b>	<b>530</b>	<b>2,739</b>	<b>240</b>	<b>83,257</b>
<b>Accumulated Depreciation</b>							
<b>at 1 April 2021</b>	<b>(1,327)</b>	<b>(8,257)</b>	<b>(306)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,890)</b>
depreciation charge in the year	(1,591)	(1,183)	(23)	0	0	0	(2,797)
disposals	0	1,212	98	0	0	0	1,310
revaluations recognised in RR	2,374	0	0	0	0	0	2,374
revaluations recognised in I&E	59	0	0	0	0	0	59
assets re-classified	0	811	0	0	0	0	811
<b>At 31 March 2022</b>	<b>(485)</b>	<b>(7,417)</b>	<b>(231)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,133)</b>
<b>Net Book Value</b>							
<b>at 31 March 2021</b>	<b>57,746</b>	<b>6,360</b>	<b>910</b>	<b>515</b>	<b>3,394</b>	<b>270</b>	<b>69,195</b>
<b>at 31 March 2022</b>	<b>64,053</b>	<b>6,675</b>	<b>887</b>	<b>530</b>	<b>2,739</b>	<b>240</b>	<b>75,124</b>

The net book value of assets reclassified out from PPE (£63k) is matched by the amounts reclassified into Assets Held for Sale (£63k) in Note 21.

During 2020/21 and 2021/22 Kendal Town Hall and South Lakeland House underwent extensive refurbishment and reconfiguration. In 2020/21 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. These works were completed in 2021/22, the building was returned to the other land and buildings classification and revalued. In both 2020/21 and 2021/22, certain floors of South Lakeland House were still operational, so only the parts of the building undergoing works have been shown as an asset under construction.

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.

<b>Property, Plant and Equipment Assets Held</b>	<b>Number at 31 March 2020 *</b>	<b>Changes 2020/21</b>	<b>Number at 31 March 2021 *</b>	<b>Changes 2021/22</b>	<b>Number at 31 March 2022</b>
<b>Other Land and Buildings:</b>					
	various sites	various sites	various sites	various sites	various sites
Allotments					
Car Parks	44	0	44	0	44
Cemeteries	9	0	9	0	9
Depots	4	0	4	0	4
Historic Properties	1	0	1	0	1
Houses and hostel	4	0	4	0	4
Garage Sites	4	0	4	0	4
Lake & associated assets	1	0	1	0	1
Markets	7	0	7	0	7
Outdoor Centres	1	0	1	0	1
Public Halls	2	0	2	0	2
Public Offices	3	0	3	0	3
Sports Centres	3	0	3	0	3
Swimming Pools	2	0	2	0	2
Toilets	29	1	30		30
Tourist Information Centres	1	0	1	0	1
Miscellaneous commercial *	10	0	10	0	10
Trading/ industrial sites *	3	0	3	0	3
Other land and buildings	38	1	39	1	40
<b>Vehicles Plant and Equipment:</b>					
Vehicles	81	7	88	(11)	77
<b>Infrastructure Assets:</b>					
Sea Defences	1	0	1	0	1
Sewerage Works	2	0	2	0	2
Land Drainage schemes	1	0	1	0	1
<b>Community Assets:</b>					
Historic Structures	5	0	5	0	5
Parks, Woodland and Open Spaces *	190	3	193	2	195
<b>Surplus Assets:</b>	8	(2)	6	(1)	5

**Depreciation**

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

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

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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
	Playground Equipment	10
Infrastructure Assets	Effluent Treatment Works, Recycling Facilities	10
	Flood Defences,	Up to 100
Community Assets	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 and H. Loney MRICS, Estates Surveyors, have been engaged to carry out valuations in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors ("RICS") Valuation Standards (6<sup>th</sup> Edition) and guidance provided by CIPFA.

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

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

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Surplus £000	Total £000
<b>Carried at historical cost</b>	297	6,606	887	524	2,739	0	<b>11,053</b>
<b>Valued at fair value as at:</b>							
31 March 2022	38,389	0	0	0	0	120	<b>38,509</b>
31 March 2021	22,630	0	0	0	0	120	<b>22,750</b>
31 March 2020	1,793	69	0	6	0	0	<b>1,868</b>
31 March 2019	944	0	0	0	0	0	<b>944</b>
<b>Total Cost or Valuation</b>	<b>64,053</b>	<b>6,675</b>	<b>887</b>	<b>530</b>	<b>2,739</b>	<b>240</b>	<b>75,124</b>

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The major capital commitments as at 31 March were:

	<b>2021 £000</b>	<b>2022 £000</b>
Affordable Housing Grants	3	0
Kendal Town Hall/ SL House	933	2
Public Realm Schemes	131	210
Vehicles	832	126
Car Parks	74	3
Play Areas	125	9
IT Replacement Fund/Digital Innovation	18	4
Community Housing Fund	725	637
Other Housing schemes	0	13
Braithwaite Fold Caravan Park	0	0
Grange Promenade & LIDO	43	164
Bins and Signage	0	2
Abbot Hall redevelopment	0	43
Energy Saving Building Enhancements	16	2
Others	27	10
<b>Total Commitments</b>	<b>2,927</b>	<b>1,225</b>

The main commitments at 31 March 2022 were – community housing fund grants awaiting invoices (£637k), refuse vehicles ordered with significant lead time, due for delivery in 2022/23 (£126k), works ordered but not commenced regarding Grange LIDO (£164k), and public realm schemes where payment of contributions to outside bodies are not yet due (£210k).

#### **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 2021/22 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £3,610k. This was due to capital expenditure that has not added to the current or fair value of assets (£230k) and the revaluation of assets to reflect current market conditions (£3,380k).

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Bus Shelters	0	0
Car Parks	(1,622)	(75)
Lake Assets	(11)	(55)
Offices	(899)	(2,524)
Historic properties	(8)	(68)
Retail/commercial properties	(498)	(623)
Recreation/parks	(25)	(80)
Markets	0	(90)
Sports Centres	0	0
Depots	(60)	0
Other	(52)	(95)
<b>Total Impairments and downward Revaluations</b>	<b>(3,175)</b>	<b>(3,610)</b>
<b>Through Provision of Services</b>	<b>(2,389)</b>	<b>(1,269)</b>
<b>Through Other CIES</b>	<b>(786)</b>	<b>(2,341)</b>
<b>Prior year impairments credited to Provision of Services</b>	<b>276</b>	<b>961</b>



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**20. Intangible Assets**

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

During 2021/22 the Digital Innovation Project was enhanced by continuing software development work (£17k), implementation of a new Development Management system began (£17k) and an upgrade was carried out to the Income Management system (£28k). A review of software system assets was carried out in the year, and systems no longer used were disposed (£647k).

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 2022 they made up £55k (£71k at 31 March 2021) of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows;

	2020/21 £000	2021/22 £000
<b>Cost or Valuation:</b>		
<b>Balance at 1 April</b>	<b>1,628</b>	<b>1,651</b>
Additions/enhancements	23	62
Disposals	0	(647)
Impairments	0	(16)
Assets reclassified	0	0
<b>At 31 March</b>	<b>1,651</b>	<b>1,050</b>
<b>Amortisation:</b>		
<b>At 1 April</b>	<b>(1,052)</b>	<b>(1,191)</b>
Charge for the Year	(139)	(136)
Disposals	0	647
Assets reclassified	0	0
<b>At 31 March</b>	<b>(1,191)</b>	<b>(680)</b>
<b>Balance Sheet Amount at 1 April</b>	<b>576</b>	<b>460</b>
<b>Balance Sheet Amount at 31 March</b>	<b>460</b>	<b>370</b>

**21. Assets Held for Sale**

	2020/21 £000	2021/22 £000
<b>Cost or Valuation:</b>		
<b>Balance at 1 April</b>	<b>0</b>	<b>50</b>
Additions/ revaluations	50	0
Disposals	(458)	(825)
Assets re-classified	458	875
<b>At 31 March</b>	<b>50</b>	<b>100</b>
<b>Depreciation at 1 April</b>	<b>0</b>	<b>0</b>
Charged in year	0	0
Disposals	457	811
Assets re-classified	(457)	(811)
<b>At 31 March</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>		
<b>At 31 March</b>	<b>50</b>	<b>100</b>

During 2021/22 eleven obsolete vehicles were re-classified as assets held for sale and the sales were completed. Land at Sparrowmire Lane, Kendal was also re-classified as an asset held for sale, as sale is expected to complete in 2022/23.

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**22. Heritage Assets**

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

The nature and condition of the Land and Buildings have resulted in the valuer assigning a nominal or nil value to these assets. The museum collection is re-valued every 5 years by external valuers and up-dated each year in line with the insurance value. The latest insurance cover valuation was supplied by Zurich Municipal in 2021/22 and revealed no change from the previous valuation.

In the year new roofing was applied to the Kirkby Lonsdale monument (£39k) which added to value, and footpath works were undertaken at Kendal Castle which did not add to the asset value. The balance sheet is as follows:

<b>Movements</b>	<b>Museum Collections 2020/21 £000</b>	<b>Museum Collections 2021/22 £000</b>
<b>Cost or Valuation</b>		
At 1 April	1,795	1,876
Additions	0	0
Enhancements	9	84
Disposals	0	0
Revaluations	72	(46)
<b>At 31 March</b>	<b>1,876</b>	<b>1,914</b>
<b>Net Book Value</b>		
<b>at 1 April</b>	<b>1,795</b>	<b>1,876</b>
<b>at 31 March</b>	<b>1,876</b>	<b>1,914</b>

The schedule of Heritage Assets is as follows:

**Land and Buildings**

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

**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**

Lines or columns marked \* have been restated following a prior period adjustment. Please see note 1 for further details.

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:

<b>Movements in Fair Value</b>	<b>RESTATED 2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at start of the year</b>	<b>2,483</b>	<b>2,449</b>
Additions and enhancements	34	19
Disposals	(30)	0
Revaluations	452	128
Reclassifications and amendments	0	0
Impairments	(490)	(55)
<b>Balance at end of the year</b>	<b>2,449</b>	<b>2,541</b>

Depreciation is not applicable to investment properties. Direct income and expenditure relating to investment properties is detailed in the Comprehensive Income and Expenditure Statement. The Council's investment properties are;

<b>Investment Properties Assets Held</b>	<b>Number at 31 March 2020 RESTATED</b>	<b>Changes 2020/21</b>	<b>Number at 31 March 2021 RESTATED</b>	<b>Changes 2021/22</b>	<b>Number at 31 March 2022</b>
Miscellaneous Commercial Properties	5	0	5	0	5
Retail Properties	5	0	5	0	5
Trading/ Industrial Site	1	0	1	0	1

**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:

- £2.22m (£3.09m 2020/21) 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 13 with two exceptions at 5 and 17 (between 7 and 14 in 2020/21).
- £0.32m (£0.75m 2020/21) 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 (e.g. 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 (£2,780k), Vehicle and Plant Programme (£987k) and Westmorland Shopping Centre car park (£24k).

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>18,504</b>	<b>21,224</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment, Intangibles, Investment Properties and Heritage	4,756	5,108
Revenue Expenditure Funded from Capital under Statute	979	5,767
<b>Sources of finance:</b>		
Capital receipts	(668)	(836)
Government grants and other contributions	(895)	(5,033)
Sums set aside from revenue:		
Direct revenue contributions	(645)	(1,215)
Minimum Revenue Provision	(807)	(975)
<b>Closing Capital Financing Requirement</b>	<b>21,224</b>	<b>24,044</b>
<b>Explanation of movements in year:</b>		
Decrease in underlying need to borrow - Minimum Revenue Provision	(807)	(975)
Increase in underlying need to borrow	3,527	3,791
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,720</b>	<b>2,820</b>

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**25. Leases**

**Council as Lessee**

**Finance Leases**

The Council has no assets held under finance leases.

**Operating Leases**

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

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Not later than one year	16	178
Between one year and five years	0	56
Later than five years	0	4
<b>Minimum lease payments</b>	<b>16</b>	<b>238</b>

The future lease payments are significantly different from previous years as the Council has gone through an extensive lease review and identified a number of leases this year compared to last year for Social Housing. There are 3 new leases this year for the hire of refuse/recycling vehicle, provision of digital printing equipment and a lease for 2 maintenance vans. .

The Social Housing properties the Council lease in are then sub-leased to tenants under a Social Housing Scheme. The future lease income expected from this is £58k.

£158k was charged to the Comprehensive Income and Expenditure Statement for operating leases in 2021/22 (£35k in 2020/21). No contingent rents are payable.

**Council as Lessor**

**Operating Leases**

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

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

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

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Not later than one year	923	919
Between one year and five years	1,527	1,507
Later than five years	5,823	5,471
<b>Total</b>	<b>8,273</b>	<b>7,897</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents are receivable or received.

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**26. Financial Instruments**

**Categories of Financial Instruments**

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

	Long-term		Current		Total	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
<b>Investments:</b>						
Amortised Cost	0	0	26,000	18,000	26,000	18,000
Financial assets at fair value through profit and loss	0	0	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>26,000</b>	<b>18,000</b>	<b>26,000</b>	<b>18,000</b>
<b>Debtors:</b>						
Amortised Cost	51	51	1,797	2,154	1,848	2,205
<i>Debtors that are not financial instruments</i>	0	0	24,173	14,282	24,173	14,282
<b>Total Debtors</b>	<b>51</b>	<b>51</b>	<b>25,970</b>	<b>16,436</b>	<b>26,021</b>	<b>16,487</b>
<b>Cash &amp; Cash Equivalents</b>						
Amortised Cost	0	0	5,102	13,068	5,102	13,068
Financial assets at fair value through profit and loss	0	0	900	7,750	900	7,750
<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>6,002</b>	<b>20,818</b>	<b>6,002</b>	<b>20,818</b>
<b>Borrowings:</b>						
Financial liabilities at amortised cost	(12,800)	(12,800)	0	0	(12,800)	(12,800)
<b>Total borrowings</b>	<b>(12,800)</b>	<b>(12,800)</b>	<b>0</b>	<b>0</b>	<b>(12,800)</b>	<b>(12,800)</b>
<b>Creditors:</b>						
Financial liabilities at amortised cost	0	0	(2,781)	(1,964)	(2,781)	(1,964)
<i>Creditors that are not financial instruments</i>	0	0	(30,957)	(31,086)	(30,957)	(31,086)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(33,738)</b>	<b>(33,050)</b>	<b>(33,738)</b>	<b>(33,050)</b>

**Income, Expense, Gains and Losses**

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

	2020/21			2021/22		
	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	(82)	(14)	(96)	(23)	(13)	(36)
<b>Total (Income)/Expense in Surplus or Deficit on the Provision of Services</b>	<b>485</b>	<b>(14)</b>	<b>471</b>	<b>544</b>	<b>(13)</b>	<b>531</b>
<b>Net (gain)/loss for the year</b>	<b>485</b>	<b>(14)</b>	<b>471</b>	<b>544</b>	<b>(13)</b>	<b>531</b>

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**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.

<b>Fair Value through Profit and Loss</b>	<b>Input level in Fair Value Hierarchy</b>	<b>Valuation Technique used</b>	<b>As at 31 March 2021 £000</b>	<b>As at 31 March 2022 £000</b>
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	900	7,750
<b>Total</b>			<b>900</b>	<b>7,750</b>

**Fair Values of Assets and Liabilities not measured at fair value**

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

- for loans from the Public Works Loan Board (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 2.50% and 2.64% (2.10% and 2.19% for 31 March 2021). 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 1.57% and 1.71% under PWLB debt redemption procedures (1.17% and 1.27% for 31 March 2021).
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- the fair value of creditors and debtors is taken to be the invoiced or billed amount.
- the fair value of long term investment in the closed rent to mortgage scheme is achieved using Level 2 inputs. These inputs are the observable values of similar properties in the same area.

<b>Liabilities</b>	<b>31 March 2021</b>		<b>31 March 2022</b>	
	<b>Carrying amount £000</b>	<b>Fair Value £000</b>	<b>Carrying amount £000</b>	<b>Fair Value £000</b>
Financial liabilities – PWLB Redemption Rate	(12,800)	(24,183)	(12,800)	(21,902)
Financial liabilities – PWLB New Loan Rate	As above	(19,829)	as above	(18,118)
Current Creditors *	(2,781)	(2,781)	(1,964)	(1,964)
<b>Total Financial Liabilities (Redemption) *</b>	<b>(15,581)</b>	<b>(26,964)</b>	<b>(14,764)</b>	<b>(23,866)</b>
<b>Total Financial Liabilities (New Loan) *</b>	<b>(15,581)</b>	<b>(22,610)</b>	<b>(14,764)</b>	<b>(20,082)</b>

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market, at the balance sheet date. This impacts on both the actual cost to redeem and

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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 2021		31 March 2022	
	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	26,000	26,004	18,000	17,949
Amortised Cost – Cash Equivalents	5,102	5,102	13,068	13,068
Current Debtors	1,797	1,797	2,154	2,154
<b>Total Financial Assets</b>	<b>32,950</b>	<b>33,014</b>	<b>33,273</b>	<b>33,282</b>

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

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional gain arising from a commitment to receive interest above the current market rates.

#### **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.

#### **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 2021/22 Annual Treasury Management Strategy was reported to and approved by Council on 23 February 2021, and is available on the Council's website. The strategy incorporates the requirements of the legal framework, which include the requirement to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;



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- 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 2021/22 was set at £31.6m (£30.4m for 2020/21). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £24.8m (£24.2m for 2020/21). 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 £30m for investments (£20m 2020/21).

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

### **Credit Risk**

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

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

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

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

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

	<b>Criteria</b>	<b>Money Limit</b>	<b>Time Limit</b>
UK Banks	Yellow, Purple, Blue or Orange	£3m	1 year
UK Banks	Red	£3m	6 Months
UK Banks	Green	£3m	100 Days
Non UK Banks	Yellow, Purple, Blue or Orange	£3m	190 Days
Non UK Banks	Red	£3m	6 Months
Non UK Banks	Green	£3m	100 Days
Banks	No colour	£0m	n/a
<i>Building Societies</i>	Top 5 by Asset size and assets > £2 billion	£3m	6 months

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

Performance against the approved strategy has been reported to Council on a quarterly basis and there has been no breached in 2021/22.

#### **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 2020/21 the loss allowance was £1.452m and for 2021/22 this has changed to £1.444m. Further breakdown on how this has been made up is included in Note 28 Debtors.

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

#### **Liquidity Risk**

The Council manages its liquidity position through the procedures above, as well as through a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

The Council has ready access to borrowings from the money markets to cover any day to day need and the Public Works Loans Board (PWLB) and money markets for longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council does not generally allow credit for customers. However £524k of the £1.1m balance (due from its general debtors) is past its due date for payment (more than 30 days overdue) (£615k of £975k for 31 March 2021). The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
0 to six months	282	113
Six months to one year	147	94
More than one year	186	317
<b>Total</b>	<b>615</b>	<b>524</b>

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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 2021		31 March 2022	
		£000	%	£000	%
Less than 1 year (creditors and short term borrowing) *	25%	(2,781)	18%	(1,964)	13%
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)	77%	(12,000)	81%
Between 40 and 45 years	100%	0	0%	0	0%
<b>Total</b>		<b>(15,581)</b>	<b>100%</b>	<b>(14,764)</b>	<b>100%</b>

### Market Risk

#### Interest Rate Risk

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

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

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

The Financial Services team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This is then used to update the budget monitoring projections quarterly during the year, allowing any adverse changes to be accommodated. The analysis is also used to determine whether it is prudent to repay fixed rate loans early and whether new borrowing taken out is fixed or variable.

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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:

<b>Sensitivity analysis</b>	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(407)	(342)
<b>Impact on surplus or deficit on the provision of services</b>	<b>(407)</b>	<b>(342)</b>
Decrease in fair value of fixed rate investment assets	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>
Decrease in value of fixed rate borrowings liabilities (based on early repayment)*	4,661	4,040
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,599	3,146

\*Disclosure items only, no impact on CIES.

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

**Price Risk**

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

**Foreign Exchange Risk**

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

**27. Cash and Cash Equivalents**

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

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Cash held by the Authority	2	2
Bank current accounts	5,100	13,066
Short-term deposits with Money Market Funds	900	7,750
<b>Total Cash and Cash Equivalents</b>	<b>6,002</b>	<b>20,818</b>

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

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Interest Received	163	31
Interest Paid	(567)	(567)
	<b>(404)</b>	<b>(536)</b>

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**28. Debtors**

The current debtors balance is made up as follows:

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Trade Receivables	1,401	1,457
Prepayments	523	385
Contribution to NNDR Pool Account	13,353	8,060
Collection Fund Deficits	5,241	2,755
Other Receivable Amounts	5,452	3,779
<b>Total</b>	<b>25,970</b>	<b>16,436</b>

The decrease in other receivable amounts includes a net £5.3m reduction in the NNDR collection fund, as we continue to recover from the exceptional collection fund deficit in previous years. Also this year we owe the Department for Work and Pensions (DWP) £1.1m in housing benefit subsidy repayments, whereas at 31 March 2021 they owed us £1.2m.

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

<b>Allowance for credit losses</b>	<b>Balance 1 April 2020 £000</b>	<b>Debts written off in year £000</b>	<b>Increase (decrease) in year £000</b>	<b>Balance 31 March 2021 £000</b>	<b>Debts written off in year £000</b>	<b>Increase (decrease) in year £000</b>	<b>Balance 31 March 2022 £000</b>
Council Taxpayers	211	(11)	102	302	(156)	218	364
Non Domestic Ratepayers	393	(37)	148	504	(95)	105	514
Sundry Debtors	1,448	(190)	194	1,452	(64)	56	1,444
<b>Total</b>	<b>2,052</b>	<b>(238)</b>	<b>444</b>	<b>2,258</b>	<b>(315)</b>	<b>379</b>	<b>2,322</b>

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

**29. Creditors**

The current creditors balance is made up as follows:

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Trade Payable	(3,091)	(2,126)
Government Grants received in advance:		
s31 grant for NNDR additional reliefs	(16,209)	(9,513)
Covid-19 grants where SLDC agent	(8,021)	(6,767)
Council tax energy rebate	0	(5,193)
Covid Additional Restrictions Grant (CARF)	0	(1,055)
Cumbria Business Rate Pool - NNDR levy	(742)	(2,108)
Other Payables	(5,675)	(6,288)
<b>Total</b>	<b>(33,738)</b>	<b>(33,050)</b>

Government departments make up the greatest proportion of creditors where the Council has received grants in advance of payment. The Council tax energy rebate of £150 for eligible households will be paid

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by September 2022. Applications for the Covid Additional Restrictions Grant will open in summer 2022. More details about the Covid-19 grants are shown in Note 2.

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Long-term		
Developer contributions under s106 agreements	(576)	(547)
Short-term		
Developer contributions under s106 agreements	0	(246)
Grant towards roundabout construction	(925)	0
<b>Total Grants Received in Advance</b>	<b>(1,501)</b>	<b>(793)</b>

Where grants are received but have conditions that haven't been met, they are treated as a creditor but we have separated the grants relating to developer contributions and other capital grants into the Grants Received in Advance account.

### 30. Provisions

The Council has no general provisions.

The only provision held at 31 March 2021 and 2022 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 £ is based on the Council's share (40%) of the estimated cost of the appeals.

<b>Specific provisions</b>	<b>Balance 31 March 2020 £000</b>	<b>Amounts used in year £000</b>	<b>Amounts added / released in year £000</b>	<b>Balance 31 March 2021 £000</b>	<b>Amounts used in year £000</b>	<b>Amounts added in year £000</b>	<b>Balance 31 March 2022 £000</b>
NDR appeals provision	(488)	193	(828)	(1,123)	208	759	(156)
<b>Total</b>	<b>(488)</b>	<b>193</b>	<b>(828)</b>	<b>(1,123)</b>	<b>208</b>	<b>759</b>	<b>(156)</b>

On 15<sup>th</sup> December 2021 the Rating (Coronavirus) and Directors Disqualification (dissolved Companies) Act 2021 received Royal Assent and became law. This exempted the impact of the government's response to Covid-19 being a factor on which a material change in circumstances (MCC) appeal can be made.

All these claims have now been rejected by the Valuation Office, resulting in a fall in the NNDR appeal provision of £726k.

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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 a successful litigation case was brought, with sentencing taking place in June 2022. The Council applied for and were awarded costs at that hearing: guilty pleas had been entered previously. The costs awarded to the Council contributed to the cost of bringing the prosecution.
- 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.
- The Council acts as accountable body and/or lead body for a number of joint services and initiatives and as a result are subject to potential financial loss should it fail to meet its responsibilities.
- The Council holds £545k in developer contributions under S106 planning agreements. If each individual contribution is not spend within the terms of the agreement the funds are recoverable by the developer.
- In December 2021 the Ratings (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 came into law after receiving Royal Assent. This stripped business of their right to appeal their property taxes using Covid-19 as a reason. This is being challenged in 26 test cases being heard by The Valuations Tribunal on 18th May 2022. After December 2021 the Valuation Office removed all Covid-19 rating value challenges which could have resulted in a Rateable Value (RV) change of £3.78m, and as a result the Councils NNDR Appeals provision was reduced by £1.8m.
- 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 £0.64m of capital receipts from SLH in relation to this during 2021/22 (£0.36m in 2020/21).
- 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 2021/22 £260k was received during the year (£228k in 2020/21).
- 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.



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**33. Unusable Reserves**

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

<b>Unusable reserve</b>	<b>RESTATED 31 March 2021 £000</b>	<b>31 March 2022 £000</b>
A. Untaken Absences Account	186	318
B. Pensions Reserve	39,243	30,620
C. Capital Adjustment Account	(15,696)	(14,639)
D. Collection Fund Adjustment Account	12,264	6,769
E. Revaluation Reserve	(37,107)	(41,363)
F. Deferred Capital Receipts Reserve	(480)	(790)
<b>Total Unusable Reserves</b>	<b>(1,590)</b>	<b>(19,085)</b>

**A. Untaken Absences Account**

The Untaken Absences Account absorbs the annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>UNTAKEN ABSENCES ACCOUNT</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>186</b>	<b>186</b>
Settlement or cancellation of accrual made at the end of the preceding year	(186)	(186)
Amounts accrued at the end of the current year	186	318
<b>(Amount by which officer remuneration charged to Comprehensive Income and Expenditure on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements)</b>	<b>0</b>	<b>132</b>
<b>Balance at 31 March</b>	<b>186</b>	<b>318</b>

**B. Pensions Reserve**

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

<b>PENSIONS RESERVE</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>36,335</b>	<b>39,243</b>
Re-measurements of net defined benefit pension liability	1,220	(11,449)
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	4,111	5,298
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,423)	(2,472)
<b>Balance at 31 March</b>	<b>39,243</b>	<b>30,620</b>

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**C. Capital Adjustment Account**

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

<b>CAPITAL ADJUSTMENT ACCOUNT</b>	<b>RESTATED</b>	
	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>(15,899)</b>	<b>(15,696)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>		
- Depreciation/impairment charges for non-current assets	3,462	4,416
- Amortisation of intangible assets	139	136
- Revenue expenditure funded from capital under statute	979	5,767
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	32	33
Capital Grants received and applied	(298)	(4,749)
Movements in the market value of Investment Properties	38	(72)
<b>Total adjustments to Comprehensive Income and Expenditure Statement</b>	<b>4,352</b>	<b>5,531</b>
<b>Amounts direct from Revaluation Reserve</b>	<b>(1,432)</b>	<b>(1,168)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance expenditure	(668)	(836)
Application of grants from Capital Grant Unapplied	(597)	(314)
Minimum Revenue Provision	(807)	(975)
Capital expenditure charged against the General Fund	(645)	(1,181)
<b>Total financing</b>	<b>(2,717)</b>	<b>(3,306)</b>
<b>Balance at 31 March</b>	<b>(15,696)</b>	<b>(14,639)</b>

This has been restated to reflect changes in the recognition of assets, further details can be found in Note 1.

**D. Collection Fund Adjustment Account**

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

<b>COLLECTION FUND ADJUSTMENT ACCOUNT</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>(918)</b>	<b>12,265</b>
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	13,001	(5,399)
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	182	(97)
<b>Balance at 31 March</b>	<b>12,265</b>	<b>6,769</b>

**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:

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

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

<b>REVALUATION RESERVE</b>	<b>RESTATED 2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>(39,052)</b>	<b>(37,107)</b>
Upward revaluation of assets	(273)	(7,766)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	786	2,341
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>513</b>	<b>(5,425)</b>
Difference between fair value depreciation and historical cost depreciation	1,432	1,168
Accumulated gains on assets sold or scrapped	0	0
<b>Amount written off to the Capital Adjustment Account</b>	<b>1,432</b>	<b>1,168</b>
<b>Balance at 31 March</b>	<b>(37,107)</b>	<b>(41,364)</b>

This has been restated to reflect changes in the recognition of assets, further details can be found in Note 1.

**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.

<b>DEFERRED CAPITAL RECEIPTS RESERVE</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>(1,260)</b>	<b>(480)</b>
Transfer in of Deferred Capital Receipts	(436)	(746)
Transfer to the Capital Receipts Reserve on receipt of cash	1,216	436
<b>Balance at 31 March</b>	<b>(480)</b>	<b>(790)</b>

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## **OTHER NOTES**

### **34. Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides or significantly influences much of its funding in the form of grants and Non Domestic Rates tariff, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, business rates, housing benefits). Grants received from Government Departments are set out in Note 17.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances and expenses paid in 2021/22 totals £275k (2020/21 £247k) 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 £28.1k and recovered £14.3k (£63.5k and £4.2k respectively in 2020/21) 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 team 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.
- One member of the Council is on the board of South Lakes Housing and receives remuneration for this role of £3,000 per annum (pro-rata for part year), as disclosed in the accounts of South Lakes Housing. Since the AGM of South Lakes housing on 21<sup>st</sup> September 2021, this Councillor is an independent member of the board and not nominated by the Council.
- 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 2021/22 year the Council paid Kendal Futures £80.5k (£26k in 2020/21) which represents over 60% of the bodies overall funding.

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 2021/22 will be presented to Council during 2022. Members have also been separately elected onto Town and Parish Councils and the County Council. These are disclosed within the Members' register of interests which is open to public inspection at South Lakeland House during office hours and on the Council's web-site.

All Members have the power to participate in the financial and operating policy decisions of the Council and so meet the accounting definition of having significant influence. However, controls are in place to limit any undue influence by Members. These include the statutory register of Member interests and the duty to disclose interests at each committee meeting and so be excluded from decision making where there is a conflict of interests. The Standards Committee monitors the effectiveness of these controls and received the annual report for 21/22 at its meeting on 14<sup>th</sup> March 2022.

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“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 2022.

**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. Until the 21<sup>st</sup> September 2021, the board of South Lakes Housing contained up to two SLDC Members out of a total board of between five and twelve. The board receives payment for their service: the two SLDC Members can claim up to £3,000 per year. On 1<sup>st</sup> September 2021 at a meeting of Cabinet 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 and they have now become an independent member.

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 (£0.90m in 2021/22, £0.85m in 2020/21).

Although there is potential for the Council to significantly influence the operating policies of South Lakes Housing, it is judged that there is not a material associate relationship as the Council has 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.

**Transactions Relating to Post-employment Benefits**

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. For budgeting purposes, the actual contributions rates that are charged against the General Fund are set on a tri-annual basis by the Actuary to meet the net liabilities as measured at that date. The contributions required may vary in future depending on conditions at the time of subsequent valuations.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Comprehensive Income and Expenditure Statement (CIES):</b>				
<b>Cost of Services:</b>				
- current service cost	3,187	4,382	0	0
- past service costs	1	0	0	0
- settlements and curtailments	0	33	0	0
- Pension Admin costs	79	86	0	0
<b>Financing and investment income and expenditure:</b>				
- Net interest cost on net liability	844	797	95	85
<b>Total post employment benefit charged to CIES</b>	<b>4,111</b>	<b>5,298</b>	<b>95</b>	<b>85</b>
<b>Other post employment benefit charged to CIES</b>				
- return on plan assets	(20,197)	(10,555)	0	0
- actuarial (gain)/losses due to demographic assumptions	0	(1,335)	0	(30)
- actuarial (gain)/losses due to financial assumptions	24,286	0	420	0
- experience (gain)/loss	(3,192)	459	(97)	12
<b>Total charged to the CIES</b>	<b>5,008</b>	<b>(6,133)</b>	<b>418</b>	<b>67</b>
<b>Movement in reserves statement:</b>				
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(4,111)	(5,298)	(95)	(85)
<b>Actual amount charged against the general fund in the year:</b>				
- employers' contributions payable to scheme	2,143	2,197	281	275

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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 2022 is a gain of £4.338m. The net of post-employment benefits debited to Other CIES is a credit of £11.449m (debit of £1.220m in 2020/21), being the sum of the return on plan assets and actuarial gains/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 (2022/23) are estimated to be £2.498m (£2.328m 2021/22).

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Discretionary Benefits Arrangements</b>	
	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Opening balance at 1 April</b>	<b>151,281</b>	<b>174,314</b>	<b>4,095</b>	<b>4,232</b>
Current service cost	3,187	4,382	0	0
Interest cost	3,574	3,614	95	85
Contributions by scheme participants	634	713	0	0
- actuarial (gain)/losses due to demographic assumptions	0	(1,335)	0	(30)
- actuarial (gain)/losses due to financial assumptions	24,286	0	420	0
- experience (gain)/loss	(3,192)	459	(97)	12
Benefits paid	(5,457)	(5,180)	(281)	(275)
Curtailments and past service	1	33	0	0
<b>Closing balance at 31 March</b>	<b>174,314</b>	<b>177,000</b>	<b>4,232</b>	<b>4,024</b>

The weighted average duration of scheme liabilities is 16 years.

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

	<b>Local Government Pension Scheme - Funded</b>		<b>Unfunded</b>	
	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Opening balance at 1 April</b>	<b>119,041</b>	<b>139,303</b>	<b>0</b>	<b>0</b>
Interest on plan assets	2,825	2,902	0	0
Remeasurements (assets)	20,197	10,555	0	0
Pension Administration Costs	(79)	(86)	0	0
Employer contributions	2,142	2,197	281	275
Contributions by scheme participants	634	713	0	0
Benefits paid	(5,457)	(5,180)	(281)	(275)
<b>Closing balance at 31 March</b>	<b>139,303</b>	<b>150,404</b>	<b>0</b>	<b>0</b>

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

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gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

<b>Trend of Assets and Liabilities</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Present value of assets:</b>					
Local Government pension scheme	116,872	122,891	119,041	139,303	150,404
<b>Present value of liabilities:</b>					
Local Government pension scheme	(145,760)	(156,924)	(151,281)	(174,314)	(177,000)
Discretionary benefits	(4,657)	(4,642)	(4,095)	(4,232)	(4,024)
<b>Total scheme (deficit)/surplus</b>	<b>(33,545)</b>	<b>(38,675)</b>	<b>(36,335)</b>	<b>(39,243)</b>	<b>(30,620)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £30.620m 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 2022. The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2020/21</b>	<b>2021/22</b>
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
- men	22.7	22.6
- women	25.3	25.3
<b>Longevity at 65 for future pensioners:</b>		
- men	24.3	24.1
- women	27.2	27.1
<b>Other Assumptions:</b>		
Rate of inflation - CPI	2.70%	3.40%
Rate of increase in salaries	4.20%	4.90%
Rate of increase in pensions	2.80%	3.50%
Rate for discounting scheme liabilities	2.10%	2.80%

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.



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There has been substantial volatility in financial markets since the beginning of the Covid-19 pandemic. Despite a period of relative stability, this volatility has recently increased again with the situation in Ukraine. This has consequences for asset values, and any changes in markets will be reflected in the accounting figures. Over the same period, volatility has extended to corporate bonds, but ultimately AA-rated corporate bond yields at 31 March 2022 have settled at around 2.7% - 2.8% - higher than at the start of the financial year.

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

<b>Composition of Local Government Pension Scheme Assets</b>	<b>31-Mar-21</b>		<b>31-Mar-22</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Equity investments</b>				
UK Quoted	12,816	9.2	7,671	5.1
Global Quoted	40,676	29.2	38,203	25.4
UK Equity Pooled (unquoted)	0	0.0	0	0.0
Overseas Equity Pooled (unquoted)	0	0.0	6,919	4.6
Equity Protection	0	0.0	0	0.0
<b>Bonds</b>				
UK Government Index Pooled (unquoted)	24,100	17.3	25,418	16.9
UK Corporate Bonds (quoted)	0	0.0	0	0.0
Overseas Corporate Bonds (quoted)	0	0.0	0	0.0
<b>Property</b>				
UK	8,080	5.8	9,475	6.3
Property Funds	3,622	2.6	4,211	2.8
<b>Cash/Liquidity</b>				
Cash Accounts	4,736	3.4	4,061	2.7
Net Current Assets	139	0.1	150	0.1
<b>Other</b>				
Healthcare Royalties	1,393	1.0	1,955	1.3
Private Debt Funds	5,433	3.9	7,219	4.8
Private Equity Funds	7,383	5.3	9,175	6.1
Infrastructure Funds	9,891	7.1	15,341	10.2
Multi Asset Credit	20,895	15.0	20,605	13.7
Real Estate Debt Funds	139	0.1	0	0.0
<b>Total</b>	<b>139,303</b>	<b>100.00</b>	<b>150,404</b>	<b>100.00</b>

As at 31 March 2022 the unaudited value of the Fund's net assets was £3,317.715m (an increase of £250.508m from £3,067.207m as at 31 March 2021). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 110% funded as at 31 March 2022, (based on assumptions per the full actuarial valuation as at 31 March 2019 - these assumptions will be reviewed as part of the 2022 valuation in light of increasing inflation and future expected returns).

In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets. The Fund's long-term approach to investment and its diverse portfolio of investment assets meant that, whilst it was affected by significant market movements, the impact on performance was minimised

The Fund underwent a full review of the Investment Strategy in 2019/20 following the completion of the Triennial Actuarial Valuation of the Fund, and the revised Investment Strategy was agreed by the Pensions Committee in December 2019. In 2020/21 with the impact of the pandemic on global investment markets, it became clear that expectations of future investment returns had reduced. It was recognised that this increased the risk of the Fund achieving lower investment returns than those reflected in the Actuary's assumptions which would then reduce the funding level of the Cumbria Fund. Importantly, this could have a material impact on employer future service rate contributions in future years. In response the Fund, in conjunction with Investment Consultants, Isio, undertook a further review of its Investment Strategy. Key

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changes included Reducing the Fund's holding in active UK equities in favour of active non-UK equity in order to reduce the significant concentration risks and sector biases in favour of a more diversified global exposure. This was done by halving the Fund's holding in the Border to Coast UK Equity fund and investing the proceeds (which equated to c. 4.5% of the Fund at that time) in the Border to Coast Overseas Developed Equity fund.

**Sensitivity Analysis**

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

	<b>Central £000</b>	<b>+0.1% pa discount rate £000</b>	<b>+0.1% pa inflation £000</b>	<b>+0.1% pa pay growth £000</b>	<b>+1 yr life expectancy £000</b>
Liabilities	181,024	178,111	183,985	181,281	186,467
Assets	(150,404)	(150,404)	(150,404)	(150,404)	(150,404)
<b>(Deficit)/surplus</b>	<b>30,620</b>	<b>27,707</b>	<b>33,581</b>	<b>30,877</b>	<b>30,063</b>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Collection Fund 2021/22**  
**INCOME AND EXPENDITURE ACCOUNT (G)**

**INCOME AND EXPENDITURE ACCOUNT**

2020/21				2021/22	
£000	£000		Note	£000	£000
<b>INCOME</b>					
(102,782)		Council Tax (Gross)		(107,137)	
9,832		Less Council Tax Discounts		9,179	
5,738		Less Council tax reduction scheme		5,783	
	(87,212)	<b>Net Income from Council Tax</b>			(92,175)
	(363)	<b>Local Council Tax Discounts from General Fund</b>			(27)
	(13,497)	<b>Non-Domestic Rates</b>	3		(28,328)
	<u>(101,072)</u>	<b>TOTAL INCOME</b>			<u>(120,530)</u>
<b>EXPENDITURE</b>					
65,851		Cumbria County Council Precept	2	68,006	
12,141		Cumbria Police Precept	2	12,355	
10,906		SLDC (inc Parish) Precepts	2	11,098	
93		Council Tax Amounts written-off		156	
760		Council tax impairment of debt		540	
	<b>89,751</b>	<b>Council Tax Precepts and Demands</b>			<b>92,155</b>
21,292		Central Government share		22,304	
4,258		Cumbria County Council share		4,461	
17,033		SLDC share		17,843	
(194)		Transitional protection payments		(33)	
93		NDR Amounts written-off		239	
279		Increase / (reduction) in NDR debt Impairment		25	
(65)		NDR appeals provision utilised in year		520	
1,654		Increase / (reduction) in NDR appeals provision		(2,938)	
301		Cost of Collection Allowance		305	
	<b>44,651</b>	<b>Non-Domestic Rates expenditure</b>			<b>42,726</b>
	<u><b>134,402</b></u>	<b>TOTAL EXPENDITURE</b>			<u><b>134,881</b></u>
<b>2,176</b>		<b>Council Tax (Surplus)/Deficit for the Year</b>		<b>(46)</b>	
<b>31,154</b>		<b>NDR (Surplus)/Deficit for the year</b>		<b>14,399</b>	
	<u><b>33,330</b></u>	<b>TOTAL (SURPLUS) / DEFICIT FOR THE YEAR</b>			<u><b>14,353</b></u>
(85)		SLDC share b/f Council Tax surplus		(199)	
(94)		Cumbria Police share b/f Council Tax surplus		(82)	
(507)		Cumbria County Council share b/f Council Tax surplus		(446)	
539		SLDC share of projected NDR (deficit)/surplus		(11,158)	
674		Central share of projected NDR (deficit)/surplus		(13,948)	
135		County share of projected NDR (deficit)/surplus		(2,790)	
	<b>662</b>	<b>Total contributions for prior years</b>			<b>(28,623)</b>
<b>Ctax</b>	<b>NDR</b>	<b>Fund balance reconciliation</b>		<b>CTax</b>	<b>NDR</b>
<b>780</b>	<b>(2,538)</b>	<b>(Surplus) / Deficit at 1 April</b>	<b>4</b>	<b>2,270</b>	<b>29,964</b>
<b>1,490</b>	<b>32,502</b>	<b>Movement in year</b>	<b>4</b>	<b>(773)</b>	<b>(13,497)</b>
<b>2,270</b>	<b>29,964</b>	<b>(Surplus) / Deficit at 31 March</b>	<b>4</b>	<b>1,497</b>	<b>16,467</b>
	<u><b>32,234</b></u>	<b>TOTAL (SURPLUS)/DEFICIT AT 31 MARCH</b>			<u><b>17,964</b></u>

**SOUTH LAKELAND DISTRICT COUNCIL**  
**Collection Fund 2021/22**  
**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 £68.006m (£65.851m for 2020/21), Cumbria Police Authority £12.355m (£12.141m for 2020/21) and the Council £11.098m (£10.906m for 2020/21) 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): 45,396 for 2021/22 (45,712 for 2020/21). This basic amount of Council Tax for a Band D property of £2,014.68 (£1,944.74 for 2020/21) 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 2021/22 was calculated on the following basis:

<b>Band</b>	<b>Chargeable Dwellings (net of discounts)</b>	<b>Proportion of Band D Tax</b>	<b>2021/22 Band D Equivalent Dwellings</b>	<b>2020/21 Band D Equivalent Dwellings</b>
<b>A</b>	3,051	6/9	2,034	2,084
<b>B</b>	8,249	7/9	6,416	6,492
<b>C</b>	10,069	8/9	8,950	9,108
<b>D</b>	8,895	9/9	8,895	8,879
<b>E</b>	6,822	11/9	8,338	8,313
<b>F</b>	4,420	13/9	6,384	6,416
<b>G</b>	2,615	15/9	4,359	4,398
<b>H</b>	240	18/9	479	484
<b>All Bands</b>	<b>44,361</b>		<b>45,855</b>	<b>46,174</b>
Allowance for 1% late collection			(459)	(462)
<b>Council Tax Base</b>			<b>45,396</b>	<b>45,712</b>

**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 (51.2p for 2020/21). 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 (49.9p in 2020/21) 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 2021/22**  
**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 2022 is £124.6m (£123.8m at 31 March 2021). Mandatory and discretionary reliefs are available, including expanded retail relief for Covid-19.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Gross Rates Payable	(60,915)	(61,526)
less:		
Transitional Relief	194	33
Mandatory Reliefs	15,460	15,282
Discretionary Reliefs	31,030	16,800
Unoccupied Property	735	1,083
<b>Net Rates Payable</b>	<b>(13,497)</b>	<b>(28,328)</b>

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

The amount retained by SLDC £12.084m (£5.412m for 2020/21) and the share of the 2021/22 deficit £11.158m (surplus of £539k in 2020/21) is transferred into the General Fund. This is then reduced by a tariff payment £15.359m (£15.112m for 2020/21) 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 £28.328m (£13.497m for 2020/21). Income has risen as a result of the discretionary relief which was awarded due to the Covid-19 pandemic coming to an end during the year.

#### **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 Collection Fund statement shows the level of surplus or deficit at the end of 2021/22 identified between Council Tax and Non-Domestic Rates.

# **SOUTH LAKELAND DISTRICT COUNCIL**

## **THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)**

### **1. Scope of Responsibility**

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

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

South Lakeland District Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework “*Delivering Good Governance in Local Government*” (2016). A copy of the Local Code is on our website at [www.southlakeland.gov.uk](http://www.southlakeland.gov.uk) or can be obtained on written request to the Council at South Lakeland House, Lowther Street, Kendal, Cumbria, LA9 4DQ. The Local Code of Governance is usually reviewed annually by the Council’s Audit Committee to ensure it remains relevant, effective, comprehensive and up-to-date: the review covering 2021/22 was reported to Audit Committee in December 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 2022 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 2021/22 (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 was reflected in the 'Customer Connect' project which has re-shaped the operating model of the Council and enhanced digitally enabled services, engaging customers, local tax payers and partners in service improvement. All services and processes, including the use of technology, are being reviewed as part of the LGR implementation project.

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 2021/22 (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 was undertaken for 2020/21 against the seven core Governance Principles and supporting principles in the Local Code, together with the key principles relating to the role of the Chief Finance Officer. 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. Where measures



## SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)

were assessed at 3 or below they have been reviewed and scores updated where actions have been implemented.

Score	Number of scores 2020/21	% of total	Number of scores 2021/22	% of total
4	175	77%	193	85%
3	41	18%	29	13%
2	8	4%	3	1%
n/a	2	1%	2	1%
Grand Total	226	100%	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 for improved case management resources in the legal team;
- 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. Plans around succession planning and career structures for members has been shelved as a result of LGR. 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.

The review for 2020/21 identified a need for Officers to receive further training on the Legal and Governance framework, this was delivered Council-wide over 2021/22 Statutory Officers and recordings were taken which are available to all staff. Organisational development training ensured 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 2021/22 was reported to Council in May 2022 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 2021/22 concluded that it was working effectively, functioning in accordance with best practice (with the exception of appointing an Independent member of the Committee) and providing independent assurance of the Council's governance arrangements. The Committee will review the AGS at their meeting on 28 July 2022 alongside the Council's unaudited accounts.

### **Standards Committee self-assessment**

The Standards Committee is currently made up of 7 District Councillors and 2 non-voting Parish Members. The Committee's main functions are to:

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)**

- 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 2021/22 was report to Council in May 2022 and 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 in July 2022 will receive 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 2022. Overall it is expected to conclude 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 is expected to conclude 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 2021/22 has been minimal with the majority of planned work being carried out and the reviews of Project Management and Customer Connect deferred from 2020/21 (mainly due to SLDC's capacity to accommodate them with competing priorities) now completed. 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.

Thirteen out of fourteen risk based audits have been completed in the year, 12 of which were finalised and one of which was at draft stage at the end of 2021/22. Of these, 4 have resulted in substantial assurance and 7 have resulted in reasonable assurance; the cyber security review was advisory review and therefore was not awarded an assurance rating. There were no reviews which resulted in a limited or no assurance assessment.

### **External Audit reports**

The Audit Committee:

- receives and approves the external auditor's Annual Audit Plan;
- comments on the fee rates and work programme consultation carried out by Grant Thornton based on fees set by Public Sector Audit Appointments Ltd, the independent company set up by the Local Government Association with delegated statutory functions to set audit fees and make arrangements for certain audits; and
- receives the Annual Findings Report and the annual Grant Certification Report and monitors actions against the recommendations within these reports. A Use of Resources judgement is included in the Annual Governance Report indicating whether the Council has adequate arrangements to secure Value for Money in the use of resources.

The Audit Findings Report provides an overall summary of the External Auditor's assessment of the Council and recommends any areas for improvement. An unqualified audit opinion was issued on 30 September

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)**

2021 on the Council's financial statements for 2020/21. More details can be found in the Audit Findings Report which was published and reported to the Audit Committee on 23 September 2021.

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 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 was paused as the Council was required to respond to a new Covid-19 lockdown. A final report titled "Customer Connect five years on, the outcomes, benefits and future" was reported to Council in December 2021.

There were three audit recommendations identified in the 2020/21 audit of the financial statements:

1. Fully depreciated assets in the fixed asset register should be reviewed to assess whether they are still in use or if they should be written off.
2. A process should be undertaken to analyse movement of assets not valued in year, including the use of appropriate indices, to ensure the carrying value is not materially different to current value. Management should also challenge the expert's judgement appropriately.
3. The bus concourse element of Kendal Bus Station was incorrectly classified and valued as an investment property. An exercise has been conducted to review all investment property assets to check appropriate classifications are used.

All three recommendations have been implemented for the 2021/22 accounts and a prior period adjustment note has been included in the 2021/22 accounts to explain the changes made to the 2021/22 accounts relating to investment properties.

Under the National Audit Office (NAO) Code of Audit Practice the auditors are also required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified Value For Money (VFM) conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under three specified criteria:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness.

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. In all three areas there were no risks of significant weakness identified and no significant weaknesses in arrangements identified but improvement recommendations were made:

1. Financial Sustainability: To provide a clear distinction between controllable and non-controllable spending in the budgetary information to members and ensure it is published on the website.
2. Governance: To improve proactive external engagement and deploy empowerment strategies during the budget setting process.
3. Governance: To integrate relevant non-financial performance related information into financial reports and within the end of year financial statements narrative report.
4. Governance: To develop the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks.
5. Improving economy, efficiency and effectiveness: To introduce arrangements to benchmark costs and performance against similar bodies.

While the final opinion was issued in September and the VFM Annual auditors report was issued in December the Audit certificate which signifies the closure of the audit has not been issued to date due to delays with the Whole of Government Accounts (WGA). To support the audit of the WGA the auditors are required to review and report on the WGA return prepared by the Council. As the return, guidance and

## **SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)**

tools were not issued by the Government until April 2022 the auditors have been unable to complete their work in this area.

The External Auditor has statutory powers under the Local Audit and Accountability Act 2014, including public interest reports: they have not exercised any of these additional statutory powers or duties for 2021/22 to date.

The 2021/22 Audit Findings Report is expected to be presented to Audit Committee on 22 September 2022 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 became 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 with an update in December 2021 as part of the review of the Local Code of Governance. This self-assessment was carried out by the Council's S151 Officer and has been refreshed to reflect progress up to the end of 2021/22.

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. These elections were duly held in 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 been held in-person: the annual meeting of Council was held on 19 May 2021 at Kendal Town Hall with 26 members and 6 officers. Covid-19 restrictions on social distancing were lifted before the next timetabled meeting of Council on 27 July 2021.

Alternative arrangements setup in 2020/21 have been used in 2021/22 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. Three such decisions were taken during 2021/22, are published on the Council website and are reported to the next meeting of Council.
- **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. Three such decisions were taken during 2021/22 and are published on the Council website with delegated executive decisions. All such decisions are reported to the next meeting of Cabinet.

There was a revised calendar of meetings for 2020/21: the calendar of meetings for 2021/22 was approved by Council on 19 May 2021 and assumed all meetings will be held face to face.

There was very limited disruption to services during 2021/22. At the request of Government, the Council has administered various schemes including grants and rate relief for business and individuals.

The budgets for 2021/22 included a contingency for additional budget pressures relating to Covid-19, mainly anticipated to be reduced income. The financial impact was regularly reviewed and updates were reported

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as part of the financial update and budget process during 2021/22. The Revenue and Capital Outturn 2021/22 to be considered by Cabinet and Council in July 2022 includes a split of budget variances during the year related to Covid-19.

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. Remote working has continued through 2021/22 where appropriate for both the staff and customers.
- **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 where there was no suitable Cabinet or Council meeting scheduled. Over £40m of grants and £16m of rate reliefs have been received and passed on during 2021/22. 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 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:** Following on-account payments of grants from the Government in 2020/21 an 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). These arrangements continued to apply for 2021/22 as large balances of grant were still being held.
- **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 and new payment arrangements were made. For 2021/22 normal billing and recovery processes resumed but with increased arrears from 2021/22. Further business rate reliefs were issued for 2021/22 which significantly reduced the net collectible debit due to 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. Net collectible debit for business rates was £43.6m for 2019/20, £15.3m for 2020/21 and £29.1m for 2021/22 so overall arrears are not comparable but the % of rates collected have varied from 97.5% for 2019/20 to 96.67% for 2020/21 and 96.65% for 2021/22. For Council tax the arrears were £1.67m at 31 March 2022 based on a debit of £92.8m: for 2020/21 arrears were £2.21m on a debit of £88.0m and for 2019/20 arrears were £1.7m on a debit of £85.6m.
- **Accounting and Budgeting:** Deadlines for preparing and auditing the 2020/21 annual accounts were revised to allow more time: similar deadlines apply for 2021/22 with the final audit report due to be issued by the end of November 2022. Regular updates are provided by various bodies, including CIPFA, on suggested changes to financial management, procurement, risk management and fraud and have been applied.
- The pandemic has had a lower material impact on the Council's financial position than originally expected, with additional government grants mitigating the impact. The current position is monitored regularly 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 2 (Covid-19), and note 4 (Critical Judgements in applying Accounting Policies) and note 5 (Assumptions made about the Future and Other Major Sources of Estimation Uncertainty).

## SOUTH LAKELAND DISTRICT COUNCIL THE ANNUAL GOVERNANCE STATEMENT 2021/22 (H)

- **Service Delivery and Working Collaboratively:** The Council continues to work 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 31<sup>st</sup> July to 30<sup>th</sup> September.

### 7. Local Government Reorganisation

Under the Cumbria (Structural Changes) Order 2022 South Lakeland District Council will be abolished in April 2023 (along with Cumbria County Council, Barrow Borough Council and Eden District Council). Responsibility for all Local Government functions will transfer to a new unitary Westmorland and Furness Council. Elections to the Shadow Authority took place on 5th May 2022. Between May 2022 and March 2023, all existing and future authorities will exist in parallel until April 2023 when South Lakeland District Council (and the current County and other Districts) will be abolished and the Shadow Authority will become Westmorland and Furness Council.

Despite the abolition of South Lakeland District Council, due to take place on 31 March 2023, due to the continuation of its existing services, its statutory basis and its financial performance the Council is a going concern and will continue to deliver services in accordance with that mandate. Officers are working to ensure South Lakeland District Council continues to provide efficient and effective services until 31<sup>st</sup> March 2023 and also working with officers from all other Cumbrian councils to ensure a smooth transition of services on 1<sup>st</sup> April 2023 to the new authorities.

The Council Plan and Performance Policy Framework was reviewed in February 2022 to set out how South Lakeland can ensure that the Community Priorities set out in the Council Plan are considered in developing the policy making framework for the new authority. The review sought to make sure that, in its final year, during the transition to the establishment of Westmorland and Furness Council, efforts are focused on critical areas of delivery which will be a strong legacy and provide firm foundations on which the new authority can build. It seeks to ensure that the Westmorland and Furness Shadow Authority gives full consideration to the vision and priorities of South Lakeland and its communities in developing its strategy and policy framework.

### 8. Annual Governance Statement Action Plan

The 2021/22 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 is regularly reported to Audit Committee and can be found here: [AGS Action Plan](#).

### 9. 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 30/09/2022

Date 30/09/2022

# 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 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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.

### Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2b to the financial statements, which indicates that the assets and liabilities of South Lakeland District Council will transfer to Westmorland and Furness Council on 1 April 2023.

### 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.

In our evaluation of the Finance Lead Specialist and S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 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 S151 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 S151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Finance Lead Specialist and S151 Officer's and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Finance Lead Specialist and S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge 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 20 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 2021/22, 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](http://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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.
- Our 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 2022.

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 2022.

### **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 December 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 2022 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 for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

### 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

28 November 2022

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

In our auditor's report issued on 25 November 2022, we explained that we could not formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2022, in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had:

- Completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have now completed this work, and the results of our work are set out below.
- Completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2022. We have now completed this work.

### Opinion on the financial statements

In our auditor's report for the year ended 31 March 2022 issued on 25 November 2022 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave this opinion.

### 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 2022.

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

#### Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 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 documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of South Lakeland District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

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

## **Gareth Kelly**

Gareth Kelly, Key Audit Partner

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

Glasgow

3 March 2023



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