South Lakeland District Council

Statement of Accounts 2022/23

Making South Lakeland the best place to live, work and explore

SOUTH LAKELAND DISTRICT COUNCIL

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SOUTH LAKELAND DISTRICT COUNCIL
Statement of Accounts 2022/23
LAYOUT AND EXPLANATION OF DOCUMENT (A)

Overview

The Statement of Accounts presents the overall financial performance of South Lakeland District Council for 2022/23, 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 2022/23. 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. Any transfer of functions under combinations of public sector bodies, such as local government reorganisation, do not negate the presumption of going concern.

Narrative Report

The Narrative Report is both backward looking, reflecting the 2022/23 financial year, and forward looking, considering the risks and issues that Westmorland and Furness Council will face in forthcoming years following the transfer of South Lakeland District Council on 1st April 2023 under local government reorganisation, together with a summarised outlook for the future. It therefore includes commentary on the impact and implications of local government reorganisation and other significant events.

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.

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 2022/23
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 challenge of dealing with the impact of the war in Ukraine, the residual impact of 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 was abolished in April 2023 (along with Cumbria County Council, Barrow Borough Council and Eden District Council). Responsibility for all Local Government functions transferred 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) ensured the Council's financial affairs were properly administered, and its financial position remained stable and robust. This role has passed on to the Director of Resources (Section 151 Officer) for Westmorland and Furness Council from 1 April 2023.

The following Statement of Accounts give an overview of the Council's finances for 2022/23. 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 2022/23.
- 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 previous audits. These Accounts were submitted to the External Auditor on 30 June 2023 in accordance with agreed timelines although one month behind the statutory deadline.

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 was 2021/22 and more details are included in the Annual Governance Statement.

The 2022/23 budget along with the MTFP financial projections were presented for approval at the Full Council meeting on 22nd February 2022. 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 2022/23 together with updated budget gap estimates for the period to 2026/27. 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 and LGR. 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.

Summary Medium Term Financial Plan February 2022:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
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)
Net Service Budget (excluding capital charges)	12,390.5	11,825.6	11,743.9	11,649.2	11,966.2
Council Tax	(9,588.5)	(9,872.6)	(10,159.2)	(10,448.2)	(10,739.8)
Business Rates	(3,786.0)	(2,161.2)	(2,302.0)	(1,956.7)	(1,956.7)
Government Grant	(856.5)	(145.7)	0.0	0.0	0.0
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
(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2023 onwards	**0.0**	**2,303.1**	**2,264.9**	**2,923.3**	**2,845.5**

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 2023.

Organisational Overview

Many of the challenges of 2021/22 continued to be issues for 2022/23 for South Lakeland District Council and its residents and businesses. While the challenges associated with the Covid-19 pandemic remained, the impact of the war in Ukraine on the financial arrangements of the Council and residents increased. The Council continued to maintain performance, deliver essential services and also tackled climate change, biodiversity loss and the impact of financial inequalities.

South Lakeland was a Council which relishes a challenge and had 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 continued including the ability for customers to access services at a time which suits them and the new fully refurbished officers at South Lakeland House linked to the accessible reception in Kendal Town Hall.

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 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 has ceased to exist, the assets, liabilities and staff of this Council transferred to the new Council and there has been 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 2022. 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 2022/23 totalled £17.2m including efficiencies totalling £1.55m from the 2021/22 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 (£9.64m in 2022/23 excluding parish precepts of £1.93m), normally followed by retained business rates (£4.39m for 2022/23 adjusted for deficits from previous years) and income from car parking (£4.78m for 2022/23). The Council also generates over £1.5m of gross income from Lake Windermere.

This narrative review and Statement sets out in more detail the financial performance and position for 2022/23 as well as more information around the future financial plan. Together, these demonstrate that the Council was in a strong, sustainable position to continue delivering the Council Plan priorities despite the impact of external factors.

2022/23 FINANCIAL PERFORMANCE

Revenue: Summary

While the impact of Covid-19 on the Council's finances has reduced, the impact of high inflation and increases in interest rates has hit the Council's income and expenditure in the 2022/23 financial year. The revenue monitoring exercise for Quarter 2 identified a significant potential overspend as a result of higher than budgeted pay award for staff and increases in utility bills. A major exercise was undertaken to review all budgets and the revised budgets were approved by Council in December 2022. At that time, a net overspend of £116k was projected.

The table below summarises the final overall General Fund outturn against budget for 2022/23. As a result of sustained performance and financial management during 2022/23 the overall overspend for 2022/23 including the impact of Covid-19, inflationary pressures and LGR is £85k which has been transferred from General Reserve to maintain the General Fund working balance at £1.5m.

	2022/23 Approved Budget £000	2022/23 Working Budget £000	2022/23 Actual £000	2022/23 Variance £000
Net Service Expenditure				
Director of Strategy, Innovation and Resources	7,034	7,119	6,683	(436)
Operational Lead Customer and Locality Services	2,382	2,906	2,899	(7)
Operational Lead Place and Environment	6,992	6,895	6,819	(76)
Operational Lead People, Welfare and Income Maximisation	3,829	3,097	2,682	(415)
Operational Lead Delivery and Commercial Services	3,014	8,626	8,898	272
Corporate	0	0	(52)	(52)
Net Service Budget	23,251	28,642	27,928	(714)
Corporate items	(11,915)	(17,190)	(15,711)	1,479
Net Revenue Budget	11,335	11,452	12,217	765
Retained Business Rates	1,041	1,041	85	(956)
Council Tax	(11,517)	(11,517)	(11,570)	(52)
Rural Services Delivery Grant	(455)	(455)	(455)	0
Lower Tier Services Grant	(103)	(103)	(103)	0
Services Grant	(155)	(155)	(155)	0
Levy Surplus Grant	0	0	(19)	(19)
Tax Income Guarantee Grant	(146)	(146)	0	146
Net General Fund	0	116	0	(116)

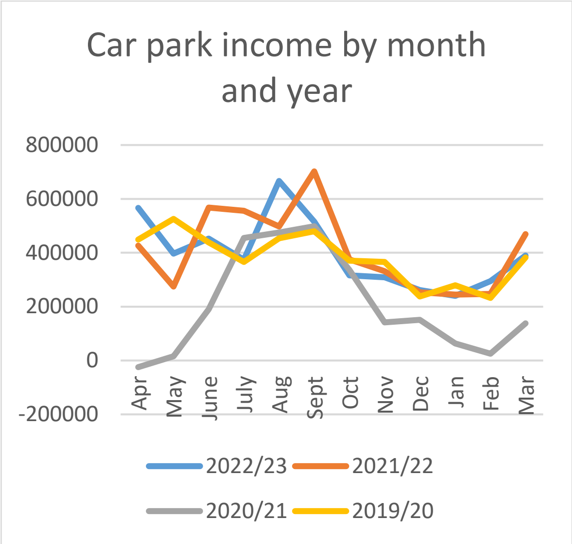
The majority of the variance relates to running costs, mainly due to lower than budgeted payments relating to Covid-19 grants and energy rebate payments which are offset by earmarked grants:

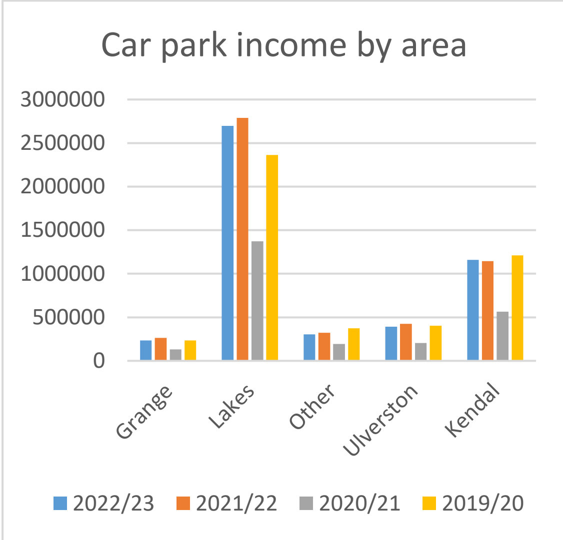
Summary of service variances by type of expenditure	2022/23 Working Budget £000	2022/23 Actual £000	2022/23 Variance £000	2022/23 Variance after Carry Forwards and Other Adjustments £000
Employees	18,957	19,212	255	(162)
Running Costs	32,663	29,622	(3,041)	(2,263)
Capital	11,071	11,123	52	(2)
Gross Expenditure	62,691	59,957	(2,734)	(2,427)
Income	(34,050)	(32,029)	2,021	2,092
Net Service Variances	28,641	27,928	(713)	(335)
Non-Service Net Expenditure (see table 3 for details)	(28,525)	(27,928)	597	219
Net General Fund	**116**	**0**	**(116)**	**(116)**

The largest recurring single element of expenditure for the Council relates to employee costs, mainly salaries but also pension contributions and the cost of agency and contract staff. Recruitment to vacant posts proved particularly challenging and. as a result, additional employee costs were incurred on agency and temporary staff to ensure continuity of services. The national pay settlement for staff of £1,925 per person was estimated to exceeded budget by £673k, however the final overspend was lower due to difficulties in recruiting to vacant posts.

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) 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 £261k for 2022/23. Due to the pattern of income during 2022/23 the contingency was not required. These trends continued in 2022/23.





The General Fund working balance includes a number of transactions made to reflect statutory accounting practices. After all adjustments and contributions to earmarked reserves there is no change in the overall General Fund working balance, which remains at £1.5m.

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 varies both due to changes in the amount collected and due to changes in the amounts of reliefs – some of which are funded 100% by government, The timing of the changes varies – the amount due to be collected is set in February just before the start of the financial year. Any additional grant is recognised in the year to which it relates. Other variations are recognised in future years. Therefore the amount recognised in 2022/23 reflects the predictions in February 2022 and also a deficit from 2020/21 and 2021/22 due to Covid, offset by grants received in those years. The grants were transferred to the NNDR deficit reserve and £6.2m has been transferred from that reserve to offset the deficit. A further transfer of £297k for past year deficits was budgeted but will not be needed until 2023/24. Also £2,038k has been transferred to the NNDR deficit reserve to reflect additional grants to fund business rate reliefs given to ratepayers in 2022/23 and to offset variations in income for 2022/23 that will be recognised in 2023/24 and 2024/25.

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 2022/23 was £979k which has been transferred to the NNDR pool reserve and NNDR volatility reserve.

Membership of the Cumbria business rate pool enabled the Council to benefit from a share of the levy payments that otherwise would have been paid to government on additional income from business rates. However, the Council would also share an element of safety-net support to other members of the pool who had a significant fall in income during the year. During 2022/23 the rateable value of the Sellafield site fell significantly which reduced income to Copeland below the level at which the safety-net protection applied. Therefore all the other members of the business rate pool are required to fund this safety-net protection. The share for South Lakeland was £400k. A volatility reserve had been maintained by the Council from the start of pooling in case there was a need to contribute to a safety net. This reserve has been used to offset the payment. This will reduce the balance on the volatility reserve when the pool is wound-up at the end 2022/23 which otherwise would have been transferred to the NNDR pool reserve to fund economic development within the district.

Significantly lower than budgeted contributions to capital programme were mainly due to timing of capital expenditure and were offset by reduced need to draw-down reserves to fund expenditure.

There have been a number of changes to the budgeted transfers to and from reserves and these mainly relate to differences in timing between the recognition of income and expenditure between years.

The budget included a contingency of £261k, funded from general reserve, for costs of Covid-19. This contingency has not been required during the year.

Summary General Fund variances	2022/23 Working Budget	2022/23 Actual	2022/23 Variance	2022/23 Variance after Carry Forwards and Other Adjustments
	£000	£000	£000	£000
Carry forward requests	0	316	316	0
Other service variances	28,641	27,612	(1,029)	(334)
	28,641	27,928	(713)	(334)
Interest payable	569	595	26	26
Interest receivable	(550)	(824)	(274)	(275)
Additional income from Non-Domestic Rates after contribution to pool	1,041	(316)	(1,357)	(111)
less transfer to/from NNDR surplus reserve for timing differences	(5,723)	(4,139)	1,584	0
Contribution to Non-Domestic Rates pool for safety net	0	401	401	0
less transfer to/from NNDR Pool Volatility Reserve	0	(401)	(401)	0
Accounting for Assets	(9,051)	(9,104)	(53)	2
Support to capital programme	2,620	910	(1,710)	65
Accounting for Collection Fund and Council Tax	(8,942)	(9,454)	(512)	(38)
Reduced Grant	(859)	(732)	127	42
Pensions and other employee adjustments	(2,473)	(2,473)	0	0
Other net increases in contributions to reserves	(5,170)	(2,307)	2,863	604
GF deficit	13	(84)	(97)	(97)
Net Underspend transferred to General Reserve	116	0	(116)	(116)

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 overspend after all other transfers to reserves, totalling £85k, has been transferred to the GF working balance from the General Reserve.

The full details of service variances were reported through the out-turn report to Westmorland and Furness Cabinet on 11 July 2023. All changes arising from the audit of the accounts will be reported to Cabinet as part of the next corporate financial monitoring report.

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 2022/23 is summarised below:

Capital Spending	**2022/23 £000**	**2021/22 £000**
Vehicles and Plant	1,258	988
Car Parks (including charging infrastructure)	441	158
Grange LIDO and promenade	301	0
Abbot Hall refurbishment	607	0
Housing Improvement Fund - land purchase	0	362
IT equipment and software	99	0
Play Areas	11	178
SLH/KTH refurbishment	279	2,780
Other (under £100,000)	334	642
Total	**3,330**	**5,108**

The major expenditure relates to the purchase of vehicles, including £907k of leased street sweepers. The major refurbishment of Kendal Town Hall and South Lakeland House: assets which interconnect, are now complete. 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 completed in mid- 2022. Major refurbishment works were also undertaken on Westmorland Shopping Centre car park (£413k) and Abbot Hall.

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 2022/23 were as follows:

REFCUS	2022/23 £000	2021/22 £000
Cross-a-Moor junction improvements	1,694	4,678
Coastal Communities Fund - Grange	487	169
Disabled Facilities Grants	838	547
Community Housing Fund	110	224
Towpath Trail - Kendal Lancaster Canal	200	0
Gooseholme Footbridge contribution	75	0
Affordable housing grants	0	30
Other (under £100,000)	204	119
Total	**3,608**	**5,767**

The capital programme was funded as follows:

Capital Funding	£000	%
Capital Receipts	(753)	11
Grants and Contributions	(3,249)	47
Revenue contributions	(989)	14
Prudential borrowing	(1,947)	28
Total to support capital	**(6,938)**	100

The total capital spend of £6.938m in 2022/23 compares to the total budget of £15.862m (£13.589m less £2.273m 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 2022 and £12.47m in the latest up-dated capital programme in March 2023 (£10.197m less £2.273m flood work under agency). There were no material underspends within the programme and variances of £4.189m are requested for re-profiling at Cabinet on 11 July 2023. 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;
- Additional costs due to access issues, inflation 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 was 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 works at 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 £24.3m. The major movements from 31 March 2022 to 31 March 2023 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 £1.93m in the year from net assets of £21.90m to net assets of £19.97m. The level of net assets was higher than usual in April 2022 because the Government paid local authorities grants to offset payments of Covid-19 grants and council tax energy rebates. The Council issued additional business rate reliefs in 2020/21, 2021/22 and 2022/23 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, £9.5m in 2022/23 and is due to repay £1.8m in 2023/24 so it is shown as a creditor. Accordingly the cash and short-term investments have reduced by £16.5m as grants are either spent or repaid and which is offset by a reduction in creditors 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 decreased in year by £0.75m to £79.32m. This is explained by £3.3m of capital additions and £0.2m of revaluations, £3.7m of depreciation and £0.1m 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. There are 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 £2.53m and are all within the boundaries of SLDC. After expenses the Council earned £135k income from occupiers compared to £149k for the same properties in 2021/22. This gives a return on investments of 4.53% in 2022/23 compared to 4.67% in 2021/22.

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).

At 31 March 2023, the Council's share of plan assets in the Cumbria Local Government Pension Scheme exceeded the Council's defined benefit pension obligation (calculated in accordance with the requirements of IAS19 and the Code of Practice on Local Authority Accounting) by £16.9m (i.e. a net pension asset). This compares with a net pension liability of £30.6m at 31 March 2022.

Under the Code of Practice and IAS19, measurement of a net defined pension asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC14. At 31 March 2023, the estimated present value of minimum funding contributions exceeded the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling is calculated at £nil for the funded liabilities. Unfunded liabilities of £3.069m are excluded from the asset ceiling.

The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability / asset appearing in the Other

Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

A review of note 35 shows that this balance is quite volatile year on year. This is 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, the situation in Ukraine and domestic political announcements. 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 2023 AA-rated corporate bonds settled higher than at the start of the accounting year with assumed discount rates at 31/3/23 up to 4.8% (2.8% at 31/3/22). While inflation rates have been high during 2022/23 the actuary has assumed they will return to 2.7% for CPI (3.4% at 31/3/22) and 4.2% for wage inflation (4.9% at 31/3/22). 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 2023 was £2.46m, up from £2.32m at 31 March 2022 and are netted off the debtors amounts. While the majority of the increase reflects the balances outstanding at 31 March 2023, the Council has considered the potential impact of increased financial pressures on the ability of debtors to meet their liabilities.

The only specific provision in 2022/23 was for Non Domestic Rates appeals, the Council's share of which has increased from £156k to £182k. 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.

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 £0.325m which left a cumulative deficit of £1.17m. The Non Domestic Rates account made a surplus of £13.25m resulting in a cumulative deficit of £3.22m. 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 was transferred to the surplus reserve and then transferred out of the reserve in 2022/23 to offset the deficit recognised in 2022/23.

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 £0.98m being set aside into the Non-Domestic Rate Pool reserve in 2021/22 to support future economic development in the District. However, under the pooling agreement, gains are used to offset losses for other councils in the pool. Due to significant reductions in another council, a contribution of £0.4m was required towards the pool safety net arrangements.

Council Tax

The Council increased the 2022/23 Council Tax by 1.5% equal to an increase of £3.07 on a Band D property to £207.61 for district council services.

Cash flows

The cash and investment position has decreased £16.5m over the year to £22.3m. 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. Carry forwards on revenue of £0.316m and re-profiling of capital of £4.19m are expected to utilise resources which had been set aside in 2022/23 although not all the expenditure is expected to fall in 2023/24.

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 2022/23. 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 2022/23 to the end of Q3 is available via the 3 February 2023 Overview and Scrutiny Committee agenda on the Council's website and highlighted issues that members may wish to carry forward for the new Westmorland and Furness Council.

The Council is committed to delivering high quality, cost effective services that meet the needs of residents and improve quality of life. To help achieve these goals performance is measured frequently in line with the priorities in the Council Plan. An updated Council Plan 2021-2026 was adopted by Full Council on 23rd February 2021and reviewed in February 2022. This report will evolve in line with the move to the new Westmorland and Furness authority. As the new authority develops, South Lakeland will use its existing priorities to influence the strategy of the new authority in addressing the needs of the South Lakeland area and how a future unitary council may deliver stronger benefits for residents. For example integration of health and social care will be critical.

The Council monitors South Lakeland's economy, trends, strengths and weaknesses to help prioritise activities and interventions - and adapt and implement policies to positively affect the economy. Economic benchmarks are influenced by many external factors.

The recent costs of living increases present a significant challenge for people and businesses - and so the Council has put in place many mitigations to help reduce these impacts. The Council has moved to reviewing the Strategic Risks formally every month to ensure that costs of living mitigations are as effective as possible. At the end of Q3 the Council had identified 19 strategic risks, of which 6 were above appetite and 13 were below appetite.

Council services are showing excellent performance. For example for 2022: Land Charges has between 83% and 99% of searches completed within 10 days; 80-90% of 'Minor' and 'Other' Planning Permissions are determined within time; 100% of 'Major' Planning Permissions determined within time nearly every month; the number of days taken to complete Housing Benefit and Council Tax Reduction 'Changes' between 2.7 and 4.6 days – significantly better than the national average of 7 days; and for Housing Benefit and Council Tax Reduction 'New Claims' from 14.9 days to 23.3 days – on average significantly better than the national average of 20 days. Also the number of all new complaints has dropped consistently each month since July 2022 – in December there were 24 new complaints.

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

Local Government Reorganisation and Finance

Although the Local Government Reorganisation abolished South Lakeland District Council from 1 April 2023, all the income, expenditure, assets and liabilities of this Council transferred 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.

Outlook: Council Plan and Medium Term Financial Plan

Council Plan

Westmorland and Furness Council's vision for Westmorland and Furness Council is presented in its Council Plan with a Vision to be a great place to live, work and thrive:

- As a great place to live, with strong local and community leadership, housing for all making best use of land and existing buildings, empowered places, proud and resilient, communities, a green and biodiverse environment, support for those that need it, when they need it, and opportunities for children and young people to live healthy, happy lives;
- As a great place to work, with a sustainable, inclusive, diverse economy with a growing work force delivering opportunities for high quality jobs, learning, skills and enterprise, support to encourage business creation and improved infrastructure and connectivity.
- As a great place to thrive, with opportunities for education, health, and wellbeing, a diverse visitor offer, and thriving cultural economy, support for all to start well, live well and age well, holistic early intervention to support people in need and excellent walking and cycling routes.

The Council Plan also outlines seven priorities, which will form a framework for the new Council to work towards:

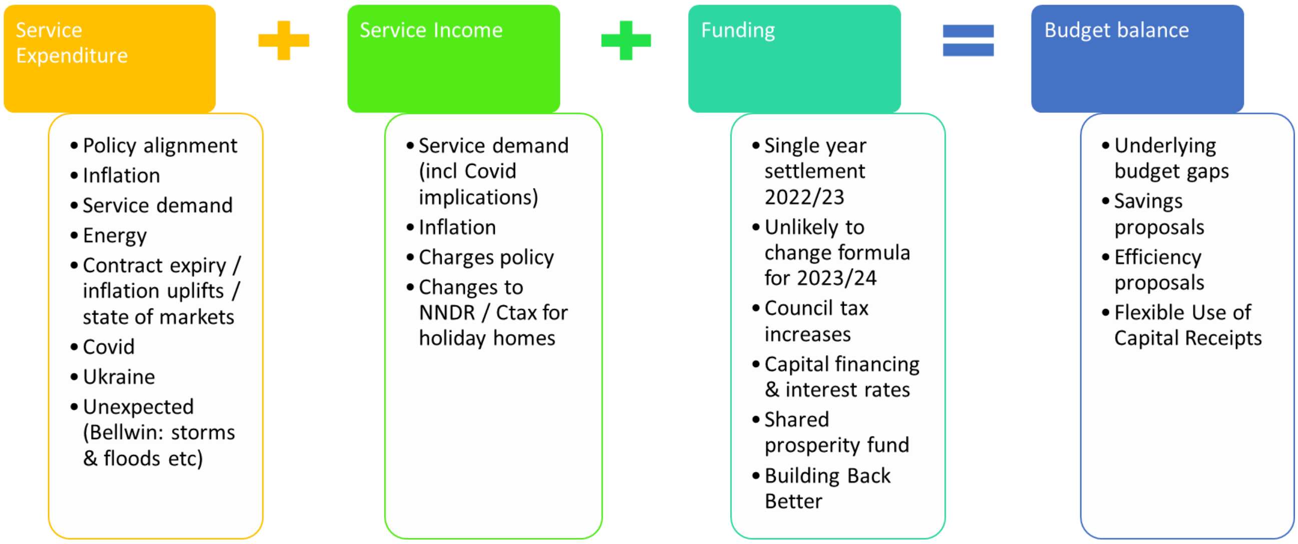
- For People – Supporting active, healthy happy lives for young and old
- For People – Supporting people in need and reducing inequality
- For the Climate – Providing leadership in the drive to become carbon net zero
- For Communities – Confident, empowered, resilient communities
- For the Economy and Culture – Sustainable, inclusive economic growth
- For our Customers – At the heart of everything we do
- For our Workforce – Confident, empowered, and inclusive workforce.

The Council Plan also set out the values for the new Council which will underpin everything that it does and being a caring council is the golden thread that will run through everything that it delivers. The Vision, priorities and values provide the framework for the Council's transformation over the next five years and these aspirations and ambitions will be reflected in service and operational plans that are being developed for all service areas.

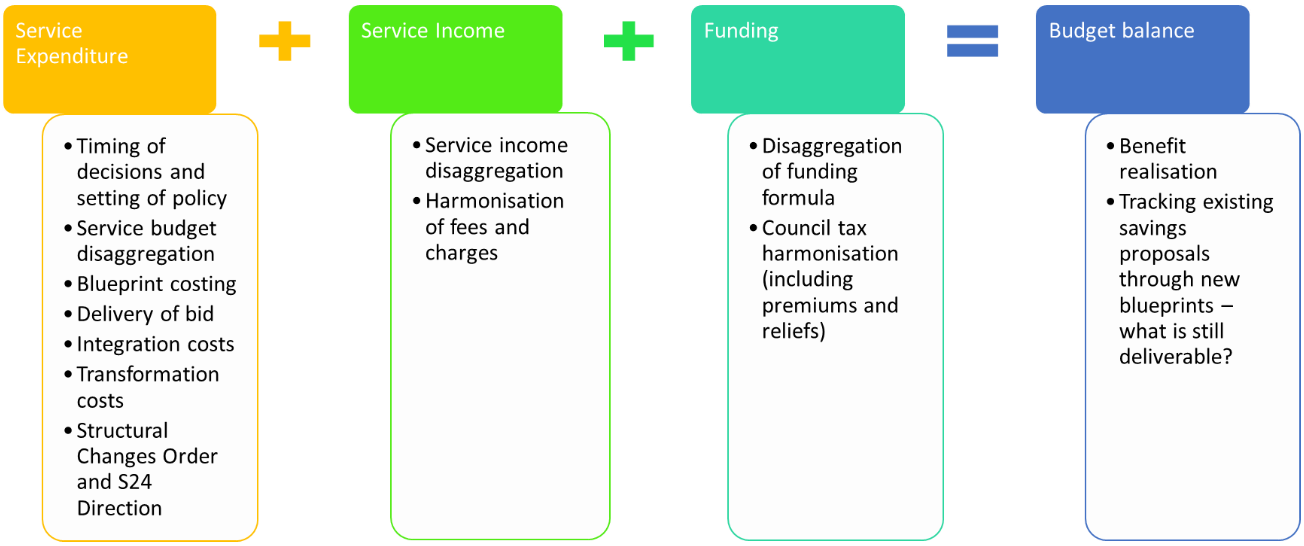
The focus of the Local Government Reorganisation programme for Cumbria has been to establish safe and legal organisations from 1 April 2023 for both new unitary Councils and Cumbria Fire and Rescue service. The ongoing transition and transformation work will build on this going forward. Significant work has been undertaken to establish, challenge and refine the proposed baseline revenue budget position for all three organisations.

The Medium Term Financial Plan for Westmorland and Furness Council had 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



Financial Position

Westmorland and Furness Council approved a Medium Term Financial Plan in March 2023 incorporating spending plans for the new council in its first draft Revenue Budget 2023/24 and the Capital Programme 2023-2028. The budget proposals set out the financial considerations and estimates on the different elements of Local Government funding (including the Council Tax requirement for 2023/24), national and local financial pressures and proposed savings as well as plans for the future to invest and transform the Council to achieve its Council Plan priorities.

The ambition of Westmorland and Furness Council is to ensure that it is a great place to live, work and thrive; placing people at the centre of everything it does, working hard to maximise the opportunities that the natural environment brings and being ambitious for the local communities and residents. The Council wants to support people to have healthy lives, reduce inequality, drive delivery of carbon net zero, support our communities and enable sustainable economic growth. The focus on these issues will make a positive difference. It also knows that achieving the transformation of services and the delivery of the Council Plan must be delivered in a financially sustainable way.

The proposed Revenue Budget (MTFP and Capital programme) brought together the financial plans of the sovereign District and Borough Councils (Eden, South Lakeland and Barrow) and the disaggregated Cumbria County Council financial plans and updated those to present the Westmorland and Furness financial position.

As well as the complexity of creating a new Unitary Council, the report also includes the wider context of continued global and national economic uncertainty and the continued constraints around Local Government Funding. This is important context as this uncertainty and complexity will mean that there is more risk in the budget than in previous years and the key financial risks have been identified and mitigations established.

Some of the key elements of the revenue budget are:

- Supporting the Council's priorities through investment in both Integration and improvement activities in year and development and implementation of a significant transformation programme to drive through the opportunities that becoming a Unitary Council brings and delivering on the ambition in the Council Plan.
- Capital investment of £253m over a five-year period
- Recognition in the budget of circa £12m of exceptional inflation pressures on energy, fuel and contract increases across both revenue and capital expenditure and estimated pay awards.
- Proposed below inflation increases in Council Tax of 4.99% in line with Government assumptions. This is 2.99% increase in general council tax plus 2% for the Adult Social Care Precept
- Additional support for the service areas most affected by significant cost increases and sufficiency risks including Children's services and inclusion of specific grant funding to support Adult services ensuring that the Council continues to protect the services for the most vulnerable
- Protection of frontline services in recognition that there is a need to stabilise, harmonise and integrate services as the Local Government reorganisation process continues.

The budget report set out the further work that has been done to ensure the revenue budget, as far as possible, reflects the vision and priorities of the Council Plan and this will continue as the strategic planning process for 2024/25 is developed. This has had inevitable complexity and in proposing the budget to Council it is recognised that the financial risks for 2023/24 will be increased but as further due diligence and continued detailed analysis of the costs base and budget monitoring takes place these risks will be managed and mitigated.

- In February 2022 each of the four sovereign Councils set out their MTFP forecasts for 2023/24 and significant work has been done to aggregate the District Council positions and disaggregate the County Council positions to develop a balanced budget for 2023/24 within a Medium Term Financial Plan.
- Cabinet was updated in November 2022 on the progress and approach to developing the 2023/24 budget. This included the principles for disaggregation of the 2022/23 County Council and aggregation of the District Council funding streams and expenditure. This was then adjusted to reflect estimated changes to funding streams both nationally and locally to present an indicative core funding position of £224m. The indicative net revenue expenditure budget was £220m resulting in a £4m budget surplus.
- In November Cabinet were updated on the potential impact of including forecast pressures for 23/24 of over £29m including pressures already included within the sovereign council's MTFPs, additional economic pressures relating to inflation and pay awards, estimated Local Government reorganisation pressures and a recognition of the need for net investment to enable delivery of the Council Plan priorities. At the time it was estimated what the additional national funding for 2023/24 could bring and assumed Council Tax increases of 3%. Overall a budget gap of £19m for 2023/24 was estimated.
- The final budget report in March 2023 provided an update on those original assumptions and the wider context in which the 2023/24 revenue budget was proposed.

In recognition of the exceptional circumstances that the Council is in due to the pace and complexity of the Local Government Reorganisation requirements a request has been made to the Department of

Levelling Up Housing and Communities (DLUHC) for exceptional financial support of £26m to assist the Council in managing the transition and transformation. This support would allow the Council to use capital financing to fund the revenue investment required in setting up and establishing the new Council and stabilise service delivery in the short term and plan effectively for delivering efficiencies from 2024/25 onwards.

Budget Planning – Financial Context

The Council's financial plans have been prepared at a time of significant global and national uncertainty both economically and fiscally. The war in the Ukraine has contributed to a surge in energy prices, driving high inflation across the world. Impacting on the cost not only of energy but also on the goods and services we all purchase. The Bank of England is increasing interest rates as part of a wider fiscal policy to manage inflation however this has pushed up the cost of borrowing for families and businesses as well as government. Economic growth has slowed and a recession is still forecast for 2023

The cost of living crisis is continuing and this is affecting all of our residents in different ways and this is resulting in increased demand for support services including welfare support and advice and guidance, increased uptake of free school meals and increased request for hardship support. Partly this is provided through the Government Household Support grant and partly funded direct by the Council.

All Councils are also still recovering from the impact of the COVID 19 pandemic and the changes that has had on both demand for services and also workforce pressures and risks around recruitment and retention in many parts of the economy. This is particularly prevalent across social care services resulting in challenges in delivering the required care support capacity to meet the identified need. Work is ongoing with health partners to ensure that attracting staff is high profile and career opportunities are encouraged and working effectively together is maximised.

The Government's Autumn Statement in November 2022 provided a financial plan for the short term with guidelines for the medium term and beyond. Following this, on 19 December 2022, the Provisional Local Government Finance settlement was set for 2023/24 only with the Final Local Government Finance settlement announced on the 6th February 2023.

The MTFP (2023-2028) assumes that beyond 2023/24 the Council continues to receive a share of Business Rate income no less than it currently receives and a continuation of grant funding (including Better Care Fund, Improved Better Care Fund, Adult Social Care Grants, Public Health grant etc.).

The Council consulted in January 2023 on a proposal for a 2.99% General increase in Council Tax in line with the Council Tax referendum limit. In addition, it proposed a 2% increase on the Adult Social Care precept. These increases were approved by Council in March 2023.

Because the level of council tax charged currently differs between district council areas, the £1,740.89 average will mean a different increase on bills depending on the District area. This is allowable within the legislation as the overall average increase of 4.99% is within the Council Tax referendum limit set by Government: the effective % increase in annual council tax bill for 2023/24 for predecessor areas are:

- Barrow 2.84%
- Eden5.95%
- South Lakeland 5.51%

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.

The Government's Levelling Up and Regeneration Bill which was announced in May 2022 and enables Councils the power to introduce a 100% Council Tax premium on second homes. Up to £10m of additional income could be generated from introducing a 100%Council Tax premium on second homes from 1 April 2024, provided the relevant legislation is passed through Parliament and receives Royal Assent by 1 April 2023. As at June 2023 Royal Assent has not yet been received. £5m of this has initially been ring-fenced to support delivery of our priorities, including those communities most affected, and help tackle the affordable housing crisis.

The level of Business rates income available to the Council in each financial year is estimated in January preceding the start of the financial year. Under the business rate retention scheme 49% of business rates collected is retained by the Council. The remainder is paid to Government (50%) and to Cumbria Police and Fire Commissioner (1%) for Cumbria Fire and Rescue service.

The scheme includes a complicated system of top up and tariffs to ensure the Council's share of estimated business rates income does not exceed the estimated baseline funding for the Council which is calculated nationally. The Council can retain the growth in the local share of business rates. The estimated income for retained business rates in 2023/24 is £56.682m. This is net of the proposed mandatory and discretionary reliefs available to businesses.

Pressures

Adjustments for the extraordinary inflation pressures were assumed in November and have been refined for 23/24 and future years following the Autumn Statement announcements and associated OBR forecasts. This is over and above the inflation assumptions that all sovereign councils had already assumed in their financial planning assumptions.

The Capital Programme include additional prudential borrowing required. The cost of borrowing for new schemes is included as a revenue pressure each year.

There are inevitable LGR implementation pressures both permanent and temporary that will be incurred in 2023/24. Some of this is due to the disaggregation of County Council services and the need for duplication of staff across a number of services and another factor is the complexity of the ICT systems resulting in a number of legacy systems needing to be maintained in the short term and the system architecture needing to be developed to enable and facilitate transition to new systems.

The Council is also investing in its senior management team for a three-year period recognising the need to have capacity at a senior level to support the huge change programme and transformation programme required to deliver on the Council Plan priorities whilst ensuring that services are not disrupted and support for the most vulnerable continues. Supporting the workforce and embedding the values that will support the caring culture of the organisation is critical

The net revenue budget for 2023/24 includes a £5m investment to facilitate the development and start the implementation of transformation. Transformation is essential in order that the Council can deliver on its Council priorities and ambition. It is also a key driver for delivering a financially sustainable organisation. It is recognised that strong business cases will be required to deliver improved services and this funding is available to support that initial development and investment needed to start the transformation journey. This will be just the start of the transformation journey and in future years further investment to deliver further change and savings will be necessary. For 2024/25 a further £5m net investment is assumed through one off use of earmarked reserves to drive efficiencies and improvements in the longer term.

£6.5m has been proposed to be included within the budget for 23/24 to support Integration and Improvement. The focus of the LGR programme has been to ensure that services are safe and legal when they transfer to the Unitary Councils on 1 April 2023. There is still a significant amount of work required to harmonise, integrate and stabilise many of the council's services during 2023/24 and beyond. In a number of key areas such as housing, waste and planning services there is a need to develop the strategic vision for these services and this will require additional capacity to support those change programmes. It is expected that this will drive out improvements and efficiencies and also improve services through integration and harmonisation.

Decisions about continuity of the priority schemes included in 2023/24 will form part of the strategic planning and budgeting process for 2024/25 and the medium term.

Saving Proposals

In order to achieve a balanced budget for 2023/24 a number of saving proposals have been identified and included as part of the budget proposals. Further detail on the savings can be found in the Medium Term Financial Plan. Where required an Equality Impact Assessment has been developed and no specific actions are required as part of the implementation of these saving proposals.

Summary – Net Revenue Budget for 2023/24

Overall a balanced budget position is presented for 2023/24 with a budget gap rising to £15.1m by 2027/28. Overall this would result in £22.4m of savings over the five-year period of the MTFP. Due to the level of one off savings in 2023/24 the Council will need to identify £9.9m of permanent savings for 2024/25 to enable a balanced budget to be presented for that year. Work on the strategic planning process to identify these potential savings will start in early summer. In future years a further £3.7m in 25/26 and £0.2m in 2026/27 and £1.3m in 2027/28 of permanent savings will need to be identified based on the estimates and assumptions of the MTFP.

2022/23 Restated budget £m		2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m	2027/28 Budget £m
219.609	**Net Service Expenditure**	**248.107**	**248.194**	**244.695**	**244.513**	**244.806**
0.457	Precepts Paid	0.457	0.457	0.457	0.457	0.457
0.163	Pay and Inflation	19.642	27.432	35.004	41.313	49.877
3.158	Savings to identify	0	-9.911	-13.585	-13.778	-15.086
0.643	Transfers to & (from) Earmarked Reserves	0.272	-3.352	2.071	2.096	0.643
224.03	**Net Budget**	**268.478**	**262.82**	**268.642**	**274.601**	**280.697**
	Sources of Finance:					
-7.436	Revenue Support Grant	-8.451	-8.62	-8.793	-8.969	-9.148
-21.249	General Grants	-25.788	-25.141	-25.141	-25.141	-25.141
-51.224	Retained Business Rates	-56.682	-57.816	-58.972	-60.152	-61.355
0	(Surplus)/Deficit on Business Rates Collection Fund	0.617	0	0	0	0
0	(Surplus)/Deficit on Council Tax Collection Fund	0.526	0	0	0	0
0	Additional Government Support	-26	0	0	0	0
0	Second Homes Premium	0	-10.103	-10.305	-10.511	-10.721
-79.909	**Total Sources of Finance**	**-115.778**	**-101.68**	**-103.211**	**-104.773**	**-106.366**
144.121	**Total Council Tax Requirement**	**152.7**	**161.14**	**165.431**	**169.828**	**174.332**

Capital Programme and Funding

The capital programme 20213-2028 is fully funded and it is financed from external funding in the form of Government grants and grants from other agencies and prudential borrowing and capital receipts. Target levels of borrowing are affordable and included within the revenue budget.

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total 2023-2028 £m
Grants	65.417	46.296	19.637	16.497	15.994	**163.842**
Contributions	2.756	0.500	0.000	0.000	0.000	**3.256**
Revenue Contributions to Capital	8.545	3.357	2.426	2.226	2.226	**18.780**
Capital Receipts	2.357	0.750	0.600	0.000	0.000	**3.707**
Prudential Borrowing	25.089	16.466	9.668	6.400	5.578	**63.201**
Total for Capital Programme	**104.164**	**67.370**	**32.331**	**25.123**	**23.798**	**252.786**

Robustness of budgets, adequacy of reserves and budget risk

The first budget for Westmorland and Furness Council brought together the budgets for the three District Councils (Eden, South Lakeland and Barrow in Furness) and the disaggregated budget of Cumbria County Council.

The underlying pressures upon public services, in particular in the area of children and adults social care services and the continued growth in need and demand for these services (and related support services such as transport, legal support etc.) continues. All local authorities are facing sufficiency risks and price inflation and the need for these to be addressed nationally in a sustainable way is critical. All services have faced exceptional inflationary pressures in 22/23 and it is expected that these will continue into 23/24.

The focus of the budget preparation has been to develop a set of assumptions which are reasonable and robust given the uncertainty of Local Government Reorganisation and the inevitable complexity that brings in aggregating and disaggregating sovereign council budgets whilst also reflecting known service pressures, LGR transitional pressures and financial risks that Westmorland and Furness Council will face in 2023/24 and future years.

The proposals presented in the budget assume that additional government support will allow the Council to use capital resources to fund revenue investment required to set up and establish the new Council. This is a potential risk and mitigating actions within the 2023/24 financial year would need to be addressed if the support is not approved.

There is a high-level assessment of the Council's anticipated potential financial risks and proposed mitigations for 2023/24 presented in the Medium Term Financial Plan.

This includes the realism of the assumptions within the Revenue Budget 2023/24 for: -

- price increases and general levels of inflation
- fees / charges income
- changes to specific grants and / or changes to their eligibility requirements
- provision for demand and supply chain pressures within services
- funding for LGR implementation costs
- transitional costs – likely impacts of aggregation/ disaggregation of services from 4 sovereign Councils
- the financing costs arising from the Capital Programme
- the impact of current and forecast interest rates on the expected returns from investment of cash balances
- the probability of achieving the savings targets in 2023/24 and identifying future savings to deliver balanced budgets throughout the MTFP period
- the likelihood of being able to deliver further necessary savings without significantly reducing the level of Reserves / Balances
- The realism of the Capital Programme estimates in light of the potential for slippage and underspending of the Capital Programme and the risks of overspends due to inflation and / or contractor distress

It is inevitable that the first cut of a new Council Budget will be imperfect and risk based and that better information will be ascertained once the new Council is in existence. Estimates used in the Budget for 2023/24 are therefore based on pragmatic assumptions.

Budget monitoring will be carried out on a regular basis and reported, alongside other key performance information to Cabinet during the year. Given this will be the first year for the Council it is to be expected that there may be more significant variations in the budget position and therefore regular budget monitoring will be of immense importance.

Adequacy of Reserves

Reserves provide the cushion to deal with uncertainty, risks and unforeseen events in year and the opportunity to respond to service changes out with existing plans. They provide flexibility and are key to a financially sustainable Council.

The projected level of reserves and balances based upon the aggregation of the three District Council's commitments and forecast outturn and the disaggregated forecast outturn position for the County Council results in a total level of reserves (General and Earmarked) of (£57.817m) at the 1 April 2023. This includes the DSG reserves position of (£3.587m) for schools and a deficit of £8.690m for High Needs.

The General Fund Balance (GFB) for 2023/24 is estimated to be £19.8m as at 1 April 2023 and the estimated level of Earmarked Reserves as at 1 April 2023 is £37.974m (excluding DSG reserves).

The level of reserves is adequate but should be at least maintained if not increased over the coming financial years in recognition of the potential for further financial risks to emerge as the new Council is established and services harmonised and integrated.

The final reserves position will be known once the 2022/23 statement of accounts for the four sovereign councils have been finalised and a full review of reserves will be undertaken at that stage.

The Government have confirmed that they have extended the DSG statutory override for a further 3 years up to March 2026. DFE guidance states that “DSG is a ring-fenced specific grant separate from general funding of local authorities and that any deficit an authority may have on its DSG account is expected to be carried forward to the next years’ schools budget and does not require to be covered by the authority’s general reserves. For the purposes of this section 25 report the DSG deficit has not been reflected. The Council is involved in the Delivering Better Value in SEND intervention programme by DFE and plans and actions are being developed to support a process to remove the historic deficit position.

Taking all of this into account the Section 151 officer was satisfied that:

- Estimates used in the Revenue Budget 2023/4 are as realistic and robust as possible given the extremely challenging circumstances.
- The proposed Council Tax levels can support a balanced budget position for 2023/24.
- Associated levels of balances/ reserves for 2023/24 and the MTFP period are adequate but given the ongoing uncertainty efforts must continue to build up reserves where possible.
- The 2023/24 Budget includes a contingency of £1.1m to reflect the considerable risks that the Council faces
- The high level estimates used in the projections for the MTFP beyond 2023/24 are as realistic as can be assessed at this stage given the large scale of uncertainty across a range of factors.
- Enhanced financial monitoring during 2023/24 will ensure that the Council maintains focus on delivering its saving proposals and achieving its outcomes within the financial position.

Looking forward Westmorland and Furness Council will have to prioritise its resources to deliver on its ambitious Council Plan. It will deliver new ways of working, support communities and individuals to thrive and work closely with key partners, particularly health, to deliver essential services. Exploring opportunities to increase capacity and strengthen resilience of social care services and support early intervention is also a critical element of future planning.

Materiality

In preparing these accounts, materiality has been guided by the External Auditors materiality level (£1,083,000 for 2022/23) 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 was a going concern and, despite the impact of the Covid-19 pandemic and the current pressures of inflation and high interest rates, is in a fair financial position to continue delivering services. The Council has had underspends on both capital and revenue services in-year although the vast majority of this is deferral of spending to future years, rather than savings. Overall, the financial and operational performance for 2022/23 was good with the Council's balance sheet ending the period in a strong position.

Looking to the future, the new Westmorland and Furness Council recognises the uncertainty over its future form, future funding and the ongoing impact of inflation and interest increase 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 future savings targets are challenging alongside the delivery of LGR but, as can be seen from the review above, the new Council has the resources to meet this challenge and ensure that the services it provides remain sustainable.

Acknowledgements

Working to the 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 the team prepared for LGR. 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 and wish them all the best in their future beyond South Lakeland District Council.

Helen Smith, Finance Lead Specialist (Section 151 Officer) South Lakeland District Council

November 2023

SOUTH LAKELAND DISTRICT COUNCIL
STATEMENT OF RESPONSIBILITIES 2022/23 (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 Chief Finance Officer's responsibilities (Statutory S151 Officer)

The Director of Resources (S151 Officer) 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 Director of Resources (S151 Officer) 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 2022/23

The Director of Resources (S151 Officer) 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 2023 and its income and expenditure for the year ended 31 March 2023

P Duke

Pam Duke
Director of Resources (S151 Officer)
Date: 12th February 2024

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 2022/23 (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.

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 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.

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

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:

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

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

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

Discretionary Benefits

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

8. EXTERNAL INTEREST

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

9. REVENUE GRANTS AND CONTRIBUTIONS

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

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.

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.

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.

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, 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 had no material finance leases until the acquisition of street sweepers during 2022/23.

Operating Leases

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

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

21. FINANCIAL ASSETS

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

Financial assets are classified into the following categories:

- 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 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 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.

29. Rounding

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statements of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs. The rounding differences do not reflect any inaccuracy or error.

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
MOVEMENT IN RESERVES STATEMENT (E)

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021	**(29,374)**	**(7,054)**	**(5,629)**	**(42,057)**	**(1,590)**	**(43,647)**
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
Increase / Decrease in Year	**5,335**	**181**	**(2,305)**	**3,211**	**(17,496)**	**(14,285)**
	(24,039)	**(6,873)**	**(7,934)**	**(38,846)**	**(19,086)**	**(57,932)**
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	0	0
Balance at 31 March 2022	**(24,039)**	**(6,873)**	**(7,934)**	**(38,846)**	**(19,086)**	**(57,932)**

2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants/Levy Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2022	**(24,039)**	**(6,873)**	**(7,934)**	**(38,846)**	**(19,086)**	**(57,932)**
Total Comprehensive Expenditure and Income	10,182	0	0	10,182	(34,479)	(24,297)
Adjustments between accounting basis & funding basis under regulations	(3,252)	(240)	575	(2,917)	2,917	0
Increase / Decrease in Year	**6,930**	**(240)**	**575**	**7,265**	**(31,562)**	**(24,297)**
	(17,109)	**(7,113)**	**(7,359)**	**(31,581)**	**(50,648)**	**(82,231)**
Adjustments not reflected in Movements in Reserves Statement	0	0	0	0	0	0
Balance at 31 March 2023	**(17,109)**	**(7,113)**	**(7,359)**	**(31,581)**	**(50,648)**	**(82,231)**

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

	2021/22 £000	**2022/23 £000**
Capital	(14,807)	(14,472)
Revenue	(24,039)	(17,109)
Pensions	30,620	3,069
Other unusable reserves	(49,706)	(53,717)
Total	**(57,932)**	**(82,231)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (E)

2021/22					2022/23		
Gross Expenditure	**Gross Income**	**Net**			**Gross Expenditure**	**Gross Income**	**Net**
£000	**£000**	**£000**		**Note**	**£000**	**£000**	**£000**
16,991	(15,255)	1,736	People Welfare & Income Maximisation		17,720	(15,161)	2,559
2,605	(83)	2,522	Customer and Locality		2,966	(83)	2,883
15,385	(9,030)	6,355	Delivery and Commercial		17,610	(8,648)	8,962
13,857	(13,256)	601	Places and Environment		9,188	(2,418)	6,770
6,623	(683)	5,940	Strategy Innovation and Resources		7,210	(454)	6,756
1,576	0	1,576	Local Government Reorganisation		36	(2)	34
57,037	**(38,307)**	**18,730**	**Cost of Services**		54,730	(26,766)	27,964
			Other Operating Income and Expenditure				
		(931)	Loss/(Gain) on the Disposal of non-current Assets	18			(1,015)
		1,758	Parish council precepts				1,929
		92	Parish Council Tax Reduction grant				92
		86	Pension Administration Costs	35			94
		1,005					**1,100**
			Financing and Investment Income and Expenditure				
		567	Interest Payable	26			595
		797	Net interest payable on net pension liability	35			819
		(36)	Investment Interest income	26			(824)
		(73)	Changes in fair value of Investment Properties	23			9
		(149)	Income received on Investment Properties	23			(135)
		35	Expenses incurred on Investment Properties	23			31
		1,141					**495**
			Taxation and Non-Specific Grant Income				
		(10,997)	Council Tax Income	Cfund			(11,514)
		(12,084)	Non domestic rates Income	Cfund			(14,158)
		2,108	Non-domestic rates levy	Cfund			1,846
		15,358	Non-domestic rates tariff	Cfund			15,759
		(1,126)	Income from Cumbria NNDR Pool	Cfund			(979)
		(10,121)	S31 Grant	Cfund			(7,684)
		(1,111)	Other Government Grant				(732)
		(314)	Recognised Capital grants and contributions				(1,915)
		(18,287)					**(19,377)**
		2,589	**(Surplus) or Deficit on Provision of Services**				**10,182**
		(7,766)	Surplus or Deficit on revaluation of Non-Current Assets	33e			(7,336)
		2,341	Non-Current Asset impairment charged to Revaluation Reserve	33e			3,794
		0	Movement in fair value of Financial Assets Available for Sale	33f			0
		(11,449)	Remeasurements of Net Defined Benefit Pension Liability	33b			(30,937)
		(16,874)	**Other Comprehensive Income and Expenditure**				**(34,479)**
		(14,285)	**Total Comprehensive Income and Expenditure**				**(24,297)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
BALANCE SHEET (E)

31 March 2022			31 March 2023	
£000	**LONG TERM ASSETS**	Note	**£000**	**£000**
	Property, Plant and Equipment	18		
64,053	Other Land & Buildings		65,953	
6,675	Vehicles, Plant & Equipment		6,548	
887	Infrastructure		865	
530	Community Assets		546	
2,739	Assets under construction		301	
240	Surplus Assets		266	
75,124			**74,479**	
1,914	**Heritage Assets**	22	1,914	
2,541	**Investment Property**	23	2,532	
370	**Intangible Assets**	20	248	
50	**Long Term Debtors**		50	
79,999	**TOTAL LONG TERM ASSETS**			**79,223**
	CURRENT ASSETS			
18,000	**Short Term Investments**	26	10,000	
16,436	**Short Term Debtors**	28	7,946	
20,818	**Cash and Cash Equivalents**	27	12,324	
100	**Assets held for sale**	21	100	
55,354	**TOTAL CURRENT ASSETS**			**30,370**
	CURRENT LIABILITIES			
(33,050)	**Short Term Creditors**	29	(9,588)	
(246)	**Grant Receipts in Advance**	29	(350)	
(156)	**Provisions**	30	(182)	
0	**Other Short Term Liabilities (Finance Leases)**	25	(278)	
(33,452)	**TOTAL CURRENT LIABILITIES**			**(10,398)**
101,901	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**99,195**
	LONG TERM LIABILITIES			
(12,800)	**Long Term Borrowing**	26	(12,800)	
(547)	**Long Term Grants in Advance**	29	(505)	
	Other Long Term Liabilities (Finance Leases)	25	(590)	
(30,620)	**Other Long Term Liabilities (Net Pension Liability)**	35	(3,069)	
(43,967)	**LONG TERM CURRENT LIABILITIES**			**(16,964)**
57,934	**NET ASSETS**			**82,231**
(38,844)	**Usable Reserves**	8	(31,579)	
(19,090)	**Unusable Reserves**	33	(50,652)	
(57,934)	**TOTAL RESERVES**			**(82,231)**

Signed *P Duke* **Date** **12th February 2024**

Director of Resources (Section 151 Officer)

Signed *A Coles* **Date** **12th February 2024**

Chair of Audit Committee. Approved by Audit Committee

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
CASH FLOW STATEMENT (E)

2021/22 £000		2022/23 £000
	OPERATING ACTIVITIES	
(2,588)	Net surplus or (deficit) on the provision of services	(10,182)
	Adjusted for non-cash items:	
4,553	Depreciation/amortisation/impairments	7,515
9,843	(Increase) / Decrease in Debtors	8,636
4,688	(Increase) / Decrease in Creditors	(16,104)
2,826	Movement in Pension Liability	3,386
(836)	Contribution to/(from) Provisions	26
33	Carrying amount of non-current assets sold	125
(72)	Movement in Investment Property values	9
21,035	**Total adjustment for non-cash items**	**3,593**
(3,619)	Adjusted for investing and financing activities	(1,438)
14,828	**Net Cash Flow from Operating Activities**	**(8,027)**
	INVESTING ACTIVITIES	
(5,321)	Purchase of PPE, investment property and intangible assets	(2,896)
(33,000)	Purchase of short-term and long-term investments	(40,995)
436	Proceeds from the sale of PPE, investment property and intangible assets	746
41,000	Proceeds from short-term and long-term investments	48,995
2,166	Other receipts from investing activities	607
5,281	**Net Cash (Inflow) / Outflow from Investing Activities**	**6,457**
	CASH FLOW FROM FINANCING ACTIVITIES	
(5,293)	Other receipts from financing activities	(6,924)
(5,293)	**Net Cash Flow from Financing Activities**	**(6,924)**
14,816	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**	**(8,494)**
6,002	Cash and cash equivalents at start of accounting period	20,818
20,818	Cash and cash equivalents at end of accounting period	12,324
14,816	**MOVEMENT PER THE BALANCE SHEET**	**(8,494)**

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
NOTES TO THE ACCOUNTS (F)

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

OVERVIEW (general principles)

MOVEMENT IN RESERVES

COMPREHENSIVE INCOME AND EXPENDITURE

BALANCE SHEET

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

SOUTH LAKELAND DISTRICT COUNCIL
The Core Financial Statements 2022/23
NOTES TO THE ACCOUNTS (F)

OVERVIEW

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

There have been no changes in accounting estimates or accounting policies during 2022/23 and no prior period adjustments have been identified during the preparation of the 2022/23 accounts.

2. Impact of Major Events

Note 2a - Covid-19 and Energy Rebate scheme.

The impact of the Covid-19 pandemic and the actions taken by Central Government to contain the virus, have had only a minor impact on the Council's financial position in 2022/23.

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. A total of £713k was allocated to businesses under this scheme: the unpaid balance will be returned to the Government in 2023/24.

On 03 February 2022, the Government announced a package of support to help households with the rising costs of energy bills. This included a £150 non repayable rebate for households in England in Council Tax bands A – D, known as the Council Tax Energy Rebate (Main Scheme). In addition, on 23 February 2022, discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Energy Rebate (Main Scheme), known as the Discretionary Scheme were published.

South Lakeland District Council were allocated £5,193,450 (34,623 awards of £150) for the Main Scheme payments which aligns to the approximate numbers of eligible properties in Bands A-D. The discretionary allocation awarded is £191,250. This is a cash limited allocation which will not be topped up. Any unspent funds was returned to the Government at the end of the scheme in November 2022, following a reconciliation process. Total payments of £5,082,900 were main under the main scheme and £189,648 under the discretionary scheme.

Note 2b – Demise of the Organisation: 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 1st April 2023. This received Royal Assent on 18th March 2022.

Westmorland and Furness Council covers 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 worked together to plan and implement the change and following the SCO becoming law on 18th March 2022, South Lakeland District Council contributed £1.577m to an Implementation Reserve in 2021/22 which was managed by Cumbria County Council. Some of that reserve has been claimed by South Lakeland District Council during 2022/23 to offset additional costs: this expenditure and income has been treated as agency expenditure on behalf of Cumbria County Council. Monitoring of spend against the reserve was reported to the new unitary council's Cabinets/ Executives.

Given local government reorganisation South Lakeland District Council ceased to exist on 31 March 2023. All assets and liabilities of this Council transferred to the new Westmorland and Furness Council on 1 April 2023 and there was 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 2022/23 Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases – an amendment that does not apply to the guidance local authorities are required to follow for 2022/23;
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021; and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of these have an impact of the Council's accounts for 2022/23.

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 2023 for which there could potentially be a material adjustment in the forthcoming financial year are:

Description	Detail	Consequences
Property Plant and Equipment (PPE) (Balance Sheet values 31 March 23 £74.5 m 31 March 22 £75.1m)	Values of assets are dependent on outside market forces that are reliant on national and global economic conditions. 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.	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. 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. Although the value of assets on the balance sheet would reduce, this would have no overall impact of the financial viability of the Council.

Description	Detail	Consequences
Fair Value of investment properties (Balance Sheet values 31 March 23 £2.5m 31 March 22 £2.5m)	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.	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. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Description	**Detail**	**Consequences**
Arrears	At 31 March 2023, the Council had a net balance of £7.9m for short term debtors (£16.4m at 31 March 2022). Against this is an impairment allowance of £2.46m (£2.32m at 31 March 2022).	If collection rates were to deteriorate, a doubling of the amount of the allowance for credit losses would require an additional £2.5m to set aside as an allowance.
Pensions Liability (Balance Sheet values 31 March 2023 £3.1m 31 March 2022 £30.6m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide Cumbria County Council, the administering authority, with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured, however, there are statutory over-rides in place to ensure that the impact on the Council's usable reserves is limited to the amounts actually payable in year. Note 35 includes sensitivity analysis of the impact of changes in actuarial assumptions on plan assets and liabilities. Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31st March 2023 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. Unfunded liabilities are excluded from the asset ceiling calculation and are recognised on the Balance Sheet (£3.069m).

6. Material Items of Income and Expense

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

	2021/22 £000	2022/23 £000
Housing Benefit Payments (within People, Welfare and Income Maximisation)	12,814	12,317
Housing Benefit Subsidy (within People, Welfare and Income Maximisation)	(12,818)	(12,261)
Car Park Income (within Delivery and Commercial)	(4,947)	(4,783)
Disabled Facilities Grant (within People, Welfare and Income Maximisation)	(842)	(838)
Disabled Facilities Grant spent (within People, Welfare and Income Maximisation)	547	838
Lake Windermere Income (within Delivery and Commercial)	(1,501)	(1,544)
SLDC share of Right to Buy receipts (within surplus on disposal of non-current assets)	(644)	(703)
Recycling Credits (within Delivery and Commercial)	(1,538)	(1,514)
Recycling vehicle & tipping/ disposal charges (within Delivery and Commercial)	1,454	1,714
Parks maintenance (within Customer and Locality)	640	717
Cross-a-moor Roundabout Contribution (within Place and Environment)	(5,135)	0
Cross-a-moor Roundabout Spend (within Place and Environment)	4,678	1,693
Covid Grants (within Specialists and Taxation and Non-Specific Grant Income (see note 2))	(4,695)	0
Other Covid related support - grants (within Strategy and Resources)	622	0
Other Covid related support - grants (within Strategy and Resources)	(729)	0
Revaluation of Car Parking included within Other CIES	0	771
Revaluation of Public Offices (within Delivery and Commercial and Other CIES)	0	(2,184)
Revaluation of Public Halls (within Delivery and Commercial and Other CIES)	774	0
Revaluation of Lake Assets (within Delivery and Commercial and Other CIES)	579	0
Revaluation of Leisure Centres within Other CIES	2,437	2,186

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 Director of Resources (Section 151 Officer) on 30th June 2023 and the audited Statement of Accounts were authorised for issue on 12th February 2024.

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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. South Lakeland District Council ceased to exist on 31 March 2023. All assets and liabilities of this Council transferred to the new Westmorland and Furness Council on 1 April 2023 and there was continuation of service delivery between this Council and the new Council. Any transfer of functions under combinations of public sector bodies, such as local government reorganisation, do not negate the presumption of going concern and therefore the basis upon which these accounts have been prepared.

MOVEMENT IN RESERVES

8. Transfers to/from Usable Reserves

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

	Balance 31 March 2021 £000	Transfers out £000	Transfers in £000	Balance 31 March 2022 £000	Transfers out £000	Transfers in £000	Balance 31 March 2023 £000
General Reserve	(5,838)	1,701	(715)	(4,852)	1,045	(116)	(3,923)
Carry Forward Reserve	(440)	440	(755)	(755)	755	(316)	(316)
Statutory Duties Reserve	(150)	70	(6)	(86)	86	(53)	(53)
Insurance Reserve	(30)	0	0	(30)	0	0	(30)
Economic Development Fund	(239)	0	0	(239)	239	0	0
Revenue Funds for Capital	(231)	87	(100)	(244)	0	(100)	(344)
Building Control Fee Income Reserve	11	0	0	11	0	0	11
Local Land Charges Reserve	9	0	0	9	0	0	9
Licensing Reserves	(166)	98	(117)	(185)	0	0	(185)
IT Replacement Reserve	(45)	0	(80)	(125)	75	(80)	(130)
LABGI (Local Authority Business Growth Initiative)	(5)	0	0	(5)	0	0	(5)
Local Arts Strategic Partnership Reserve	(30)	0	0	(30)	30	0	0
New Homes Bonus Reserve	(1,954)	393	(64)	(1,625)	563	(86)	(1,148)
General Fund Major Repairs Reserve	(399)	43	(50)	(406)	0	(150)	(556)
NNDR Surplus Reserve	(11,701)	11,235	(6,851)	(7,317)	6,177	(2,038)	(3,178)
Cumbria NDR Pool Income Reserve	(2,820)	373	(897)	(3,344)	615	(784)	(3,513)
Cumbria NDR Pool volatility Reserve	(364)	0	(223)	(587)	401	(195)	(381)
LSVT Environmental Warranties	(282)	0	0	(282)	0	0	(282)
Customer Connect Reserve	(790)	237	0	(553)	365	0	(188)
Marshall Hooper Reserve	(37)	0	0	(37)	0	0	(37)
Personal Financial Resilience Fund	(86)	14	(25)	(97)	118	(66)	(45)
Climate Change Reserve	(83)	38	0	(45)	33	0	(12)
Improving South Lakeland Reserve	(30)	0	0	(30)	0	0	(30)
Neighbourhood Plans	(25)	0	0	(25)	16	0	(9)
Council Tax Hardship Grant	(76)	25	0	(51)	50	0	(1)
Tax Income Guarantee Scheme	(252)	84	0	(168)	84	0	(84)
Community Housing Fund	(1,821)	538	(156)	(1,439)	262	0	(1,177)
Total Earmarked Revenue Reserves	**(27,874)**	**15,376**	**(10,039)**	**(22,537)**	**10,914**	**(3,984)**	**(15,607)**
Other Reserves							
Usable capital receipts	**(7,054)**	181	0	**(6,873)**	753	(993)	**(7,113)**
CIL Fund Reserve	**(2,112)**	0	(1,063)	**(3,175)**	155	(1,192)	**(4,212)**
Capital Grants Unapplied	**(3,517)**	3,797	(5,039)	**(4,759)**	3,094	(1,482)	**(3,147)**
GF Working balance	**(1,500)**	0	0	**(1,500)**	0	0	**(1,500)**
Total Usable Reserves	**(42,057)**	**19,354**	**(16,141)**	**(38,844)**	**14,916**	**(7,651)**	**(31,579)**

Purpose of Reserves

General Fund Earmarked Reserves:

- *General Reserve* – Buffer against financial risks; pension rates, government grants, investment income. Assistance towards the costs of risk management.
- *Carry Forward Reserve* – Monies budgeted in one year but unspent in year and carried-forward to later year(s). Carry-forwards are approved by Cabinet each year. Previously these amounts were included in the General Reserve.
- *Statutory Duties Reserve* - delegated to Senior Management Team for statutory duties and similar unavoidable legal costs.
- *Insurance 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.
- *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 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.

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.

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**
Capital Adjustment Account						
Reversal of items recognised in the CIES						
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**
Items not recognised in the CIES						
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**
Capital grants/CIL credited to CIES	1,374		(1,374)	0	**0**	**0**
Adjustments involving Capital Receipts						
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**
Adjustments involving the Pensions Reserve						
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**
Collection Fund Adjustment Account NDR	5,398			5,398	**(5,398)**	**0**
Collection Fund Adjustment Account Council Tax	97			97	**(97)**	**0**
Accumulated Absences Account	(131)			(131)	**132**	**1**
Adjustments between accounting basis & funding basis under regulations	**2,746**	**181**	**(2,305)**	**622**	**(622)**	**0**

2022/23	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**
Capital Adjustment Account						
Reversal of items recognised in the CIES						
Amortisation of intangible fixed assets	(144)			(144)	**144**	**0**
Depreciation	(3,622)			(3,622)	**3,622**	**0**
Impairment/revaluation losses to I&E	(3,749)			(3,749)	**3,749**	**0**
Movement in market value of Investment Properties	(9)			(9)	**9**	**0**
Movement in value of held for sale assets						
Revenue funded from Capital under Statute (REFCUS)	(3,608)			(3,608)	**3,608**	**0**
Grants applied on REFCUS	838		1,621	2,459	**(2,459)**	**0**
Capital grants applied			635	635	**(635)**	**0**
Value of non-current assets sold	(125)			(125)	**125**	**0**
Items not recognised in the CIES						
Statutory provision for repayment of debt (MRP)	1,182			1,182	**(1,182)**	**0**
Voluntary revenue provision for capital financing				0	**0**	**0**
Statutory repayment of debt Finance leases				0	**0**	**0**
Capital expenditure financed from revenue	910			910	**(910)**	**0**
Capital grants/CIL credited to CIES	1,915		(1,681)	234	**(234)**	**0**
Adjustments involving Capital Receipts						
Transfer of non-current asset sales proceeds	1,140	(246)		894	**(894)**	**0**
Use of Capital Receipts to fund capital expenditure		753		753	**(753)**	**0**
Financing of payments to Capital receipts pool				0	**0**	**0**
Transfer from deferred receipts on receipt of cash		(747)		(747)	**747**	**0**
Adjustments involving the Pensions Reserve						
Reversal of retirement benefits debited or credited to CIES	(6,009)			(6,009)	**6,009**	**0**
Employer’s payments in the year	2,623			2,623	**(2,623)**	**0**
Collection Fund Adjustment Account NDR	5,301			5,301	**(5,301)**	**0**
Collection Fund Adjustment Account Council Tax	39			39	**(39)**	**0**
Accumulated Absences Account	66			66	**(66)**	**0**
Adjustments between accounting basis & funding basis under regulations	**(3,252)**	**(240)**	**575**	**(2,917)**	**2,917**	**0**

COMPREHENSIVE INCOME AND EXPENDITURE

10. Expenditure and Funding Analysis

The Council is required to prepare its Income and Expenditure on three different bases. This note attempts to show how each of these three requirements are reconciled with each other. The first column shows the internal management reporting based on the Council's objectives and structure. The overall statutory basis of the Council results in a number of entries in column (ii) needed to ensure that the Council Taxpayers needs are reflected. This is called the funding basis in column (iii). To ensure that all transactions are recorded in accordance with proper accounting practices the Comprehensive Income and Expenditure Statement is prepared, column (v), which also requires adjustments, column (iv), from the funding basis.
The following analysis shows the monetary effects of these adjustments with further information and details of the adjustment columns being shown in Note 9 for column (iv) and Note11 for columns (ii) and (iv).

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)	(ii)	(iii)	(iv)	(v)
	£000	£000	£000	£000	£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
Net cost of Services	**19,147**	**(6,652)**	**12,495**	**6,235**	**18,730**
Other income and expenditure	(19,147)	11,987	(7,160)	(8,981)	(16,141)
Surplus/Deficit on Provision of Services	**0**	**5,335**	**5,335**	**(2,746)**	**2,589**

Opening General Fund Balances	**(29,374)**
Surplus/Deficit (-/+)	5,335
Closing General Fund Balances	**(24,039)**

2022/23	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)	(ii)	(iii)	(iv)	(v)
	£000	£000	£000	£000	£000
People Welfare & Income Maximisation	2,682	(773)	1,909	650	2,559
Customer and Locality	2,899	(552)	2,347	536	2,883
Delivery and Commercial	8,897	(6,580)	2,317	6,645	8,962
Places and Environment	6,819	(4,166)	2,653	4,117	6,770
Strategy Innovation and Resources	6,683	(395)	6,288	468	6,756
Local Government Reorganisation	(52)	81	29	5	34
Net cost of Services	**27,928**	**(12,385)**	**15,543**	**12,421**	**27,964**
Other income and expenditure	(27,928)	19,315	(8,613)	(9,169)	(17,782)
Surplus/Deficit on Provision of Services	**0**	**6,930**	**6,930**	**3,252**	**10,182**

Opening General Fund Balances	**(24,039)**
Surplus/Deficit (-/+)	6,930
Closing General Fund Balances	**(17,109)**

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

11. Expenditure and Income analysed by Nature

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

2021/22

	People Welfare & Income Max	Customer & Locality	Delivery & Commercial	Places and Environment	Strategy Innov & Resources	Local Govt Reorg'n	CIES
	£000	£000		£000	£000	£000	£000
Income:							
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)
Total	**(15,255)**	**(83)**	**(9,030)**	**(13,256)**	**(683)**	**0**	**(38,307)**
Expenditure:							
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
Total	**16,991**	**2,605**	**15,385**	**13,857**	**6,623**	**1,576**	**57,037**
Cost of services	**1,736**	**2,522**	**6,355**	**601**	**5,940**	**1,576**	**18,730**
Other income and expenditure on provision of services (per CIES)							(16,141)
Net surplus/deficit on provision of services (per CIES and EFA column (v))							**2,589**
Reversal of funding adjustments:							
*Capital adjustments	(39)	(203)	(4,208)	292	(167)	0	(4,325)
**Pension adjustments	(276)	(194)	(803)	(354)	(283)	0	(1,910)
EFA column (iv) Cost of Services	**(315)**	**(397)**	**(5,011)**	**(62)**	**(450)**	**0**	**(6,235)**
Funding adjustments in other income and expenditure:							
Pension							0
Depreciation							0
Other adjustments as per note 9:							
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)
Adjustments between accounting and funding basis (EFA column (iv))							**2,746**
Total movement on General Fund balances (Per MIRS and EFA column (iii))							**5,335**

2022/23

	People Welfare & Income Max	Customer & Locality	Delivery & Commercial	Places and Environment	Strategy Innov & Resources	Local Govt Reorg'n	CIES
	£000	£000		£000	£000	£000	£000
Income:							
Income from fees and charges	(743)	(77)	(7,101)	(1,879)	(108)	(2)	(9,910)
REFCUS income*	(838)	0	0	0	0	0	(838)
Grants and contributions	(13,580)	(6)	(1,546)	(539)	(346)	0	(16,017)
Total	**(15,161)**	**(83)**	**(8,647)**	**(2,418)**	**(454)**	**(2)**	**(26,765)**
Expenditure:							
Employees	2,604	1,308	5,616	2,810	4,635	35	17,008
Pension accounting adjustments**	362	210	866	384	309	5	2,136
Other Service Expenditure	13,627	1,121	5,349	2,261	2,107	(4)	24,461
Depreciation*	121	192	1,970	1,325	159	0	3,767
REFCUS*	1,017	39	0	2,551	0	0	3,607
Impairments*	(12)	95	3,809	(143)	0	0	3,749
Total	**17,719**	**2,965**	**17,610**	**9,188**	**7,210**	**36**	**54,728**
Cost of services	**2,558**	**2,882**	**8,963**	**6,770**	**6,756**	**34**	**27,963**
Other income and expenditure on provision of services (per CIES)							(17,782)
Net surplus/deficit on provision of services (per CIES and EFA column (v))							**10,181**
Reversal of funding adjustments:							
*Capital adjustments	(288)	(326)	(5,779)	(3,733)	(159)	0	(10,285)
**Pension adjustments	(362)	(210)	(866)	(384)	(309)	(5)	(2,136)
EFA column (iv) Cost of Services	**(650)**	**(536)**	**(6,645)**	**(4,117)**	**(468)**	**(5)**	**(12,421)**
Funding adjustments in other income and expenditure:							
Pension							0
Depreciation							0
Other adjustments as per note 9:							
Value of non-current assets sold							(125)
Statutory provision for repayment of debt (MRP)							1,182
Capital expenditure financed from revenue							910
Capital grants/CIL unapplied credited to CIES							1,915
Transfer of non-current asset sales proceeds							1,140
Reversal of movement in investment property values							(9)
Reversal of other IAS19 items							(1,250)
Collection Fund Adjustment Account NDR							5,340
Accumulated Absences Account							66
Adjustments between accounting and funding basis (EFA column (iv))							**(3,252)**
Total movement on General Fund balances (Per MIRS and EFA column (iii))							**6,929**

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

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.

	2021/22 £000	2022/23 £000
Reconciliation to EFA column (ii):		
Reverse EFA column (iv) Cost of Services	(6,235)	(12,421)
Less presentation adjustments of corporate items:		
Trading accounts	0	0
Investment properties within Strategic Development	110	100
Investment properties within Neighbourhood Services	4	4
CIL income	0	0
EFA column (II) Cost of Services	**(6,121)**	**(12,317)**
Other Income and Expenditure adjustments		
Service items presented corporately	(114)	(104)
Capital charges in corporate items	0	0
Pension adjustments in corporate items	0	0
Reversal of total capital items	4,325	10,285
Reversal of total pension items	1,910	2,136
Net movement on Reserves	5,335	6,930
EFA column (II) other I&E	**11,456**	**19,247**
EFA column (ii) total	**5,335**	**6,930**

12. Revenue from Contracts

The Council's income that includes contractual arrangements is shown in Note 11 and amounts to £10.0m (£11.0m 2021/22). The majority of this income involves payment for services at the time of delivery e.g. Car Park Income (£4.8m 2022/23, £4.9m 2021/22) or that will be delivered within the financial year e.g. Lake Windermere charges (£1.5m 2022/23, £1.5m 2021/22).

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 grants, rebates and 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.
- Cumbria County Council – expenditure relating to implementation of local government reorganisation funded from the Cumbria LGR Reserve.

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 1st October 2021 this became a lease agreement.

- 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:

	2021/22 £000	2022/23 £000
SLDC Acting as Agent for Other Organisations		
Income paid over to organisations and individuals	4,258	6,477
Management fees received by SLDC	(114)	(117)
Grants paid to organisations and individuals on behalf of Government (i.e. Covid-19, energy rebates)	37,136	5,130
Management fee for Covid-19 grants	(266)	(210)
Other Organisations Acting as Agent for SLDC		
Income Received	(193)	(202)
Agency Fee Paid By SLDC	20	7

The decrease in income paid over to organisations and individuals between the two years is due to a reduction in grants 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 in 2021/22 of £37.1m the Council also held £6.8m in unspent agency grant funds within its cash and cash equivalents amount at 31st March 2022 (see Note 27) and therefore had a creditor of the same amount at the year end. These unspent funds were either paid out or repaid to government during 2022/23.

The Council also held £5.2m in energy rebate grant on an agency basis at 31st March 2022, received from central government at the end of March for distribution in 2022/23. This was held in a separate bank accounts and was shown within the cash and cash equivalents amount (see Note 27) and therefore had a creditors for the same amount at the end of the year. These rebates were paid during 2022/23 and the final reconciliation of amounts due was completed in June 2023.

ERDF Funded Flood Defence shows an increase of £1.7m in monies administered by SLDC in 2022/23 as accountable body (£5.1m), compared to 2021/22 (£3.4m).

14. Members' Allowances

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

	2021/22 £000	2022/23 £000
Allowances	272	287
Expenses	3	5
Total	**275**	**292**

15. Officers' Remuneration and Exit Packages

The Accounts and Audit Regulations 2020 sets out the disclosure requirements for Senior Employees remuneration. The requirements provide transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation.

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

		Salary, Fees and Allowances	Expenses Allow-ances	Compen-sation for loss of office	Pension Contribution	Total
		£	£	£	£	£
Chief Executive : Lawrence Conway	2021/22	116,202	963	0	23,550	140,715
	2022/23	**148,127**	**963**	**97899**	**378,564**	**625,553**
Director of Strategy Innovation and Resources**	2021/22	82,193	963	0	16,714	99,870
	2022/23	**89,590**	**963**	**0**	**18,201**	**108,754**
Director of Customer and Commercial Services	2021/22	82,193	963	0	16,714	99,870
	2022/23	**84,118**	**963**	**0**	**17,101**	**102,182**
Finance Lead Specialist	2021/22	61,626	0	0	12,387	74,013
	2022/23	**68,555**	**0**	**0**	**13,780**	**82,335**
Operational Lead Support Services**	2021/22	59,986	963	0	12,251	73,200
	2022/23	**0**	**0**	**0**	**0**	**0**
Legal, Governance and Democracy Spscialist (Monitoring Officer) *	2021/22	58,070	963	0	11,866	70,899
	2022/23	**57,347**	**642**	**0**	**11,656**	**69,645**
Head of Shared ICT	2021/22	57,762	963	0	11,804	70,529
	2022/23	**59,244**	**963**	**0**	**12,102**	**72,309**
Operational Lead Delivery and Commercial Services*	2021/22	56,024	963	0	11,454	68,441
	2022/23	**0**	**0**	**0**	**0**	**0**
Service Delivery Manager*	2021/22	0	0	0	0	0
	2022/23	**50,615**	**963**	**0**	**10,367**	**61,945**
Asset & Commercial Manager*	2021/22	0	0	0	0	0
	2022/23	**50,615**	**963**	**0**	**10,367**	**61,945**
Operational Lead Places & Environment	2021/22	52,426	963	0	10,731	64,120
	2022/23	**59,080**	**963**	**0**	**12,069**	**72,112**
Operational Lead Customer & Locality Services	2021/22	52,748	963	0	10,796	64,507
	2022/23	**58,716**	**963**	**0**	**11,996**	**71,675**
Human Resources Lead Specialist ***	2021/22	40,155	722	0	8,216	49,093
	2022/23	**52,406**	**1,204**	**0**	**10,775**	**64,385**
Operational Lead People, Welfare & Income Maximisation	2021/22	52,265	963	0	10,699	63,927
	2022/23	**59,080**	**963**	**0**	**12,069**	**72,112**
Operational Lead Strategy	2021/22	52,280	963	0	10,702	63,945
	2022/23	**59,080**	**963**	**0**	**12,069**	**72,112**

Notes:
* The postholder left during the year and the original role was not replaced but split into 2 separate roles of Service Delivery Manager & Asset & Commercial Manager and both meet the disclosure requirements for 22/23.
** This postholder of Director of SR&I left early in the year and was replaced by the Lead Support Services postholder.
*** This postholder of Human Resources Lead Specialist was not in the role for all of 2021/22

Definitions

- **Salary** - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties and holiday pay.
- **Expenses allowances** – includes payments for use of personal vehicles and mileage.
- **Compensation for loss of office**– includes redundancy costs and pay in lieu of notice (where paid).
- **Employer's Current Service Pension Contribution** - 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, on continuing employment and in relation to the salary thereof.
- Under the terms of the LGPS, officers who, with the agreement of the employer, retire on the grounds of efficiency of the service or voluntary redundancy and are over the age of 55 are statutorily entitled to access their pension. As a result of retiring in advance of the statutory retirement age, there is a cost charged from the Pension Fund to the Council, is known as "pension strain". This is included in the figures in the table on the previous page.

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 2021/22 and 2022/23 are shown in the table below:

Banding Note

	2021/22 Number of employees	**2022/23 Number of employees**
£50,000 - £54,999	5	4
£55,000 - £59,999	3	2
£60,000 - £64,999	2	4
£65,000 - £69,999	0	1
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	2	0
£85,000- £89,999	0	1
£90,000- £94,999	0	1
£95,000- £99,999	0	0
£100,000 - £119,999	1	0
£120,000 - £249,999	0	1
Total	**13**	**14**

14 Senior Officers met the banding note requirement in 2022/23 compared to 13 Senior Officers in 2021/22 due to the splitting of one role in 2022/23. In 2022/23 there was 1 redundancy amount paid which is included in the above figures.
Of the 14 Officers, there is one Officer who does not meet the Officer Remuneration requirement but does meet the Banding Note.

Exit Packages

The Code of Practice on Local Authority Accounting includes a requirement to disclose the number and total cost of exit packages which the Council "can no longer withdraw from" in bands of £20,000. Exit package payments include all redundancy costs, pension strain costs, payment in lieu of notice or any other departure costs.
The tables below gives further details including the number of employees and the value of the packages, including, where applicable, the pension strain costs due from the Council to the Pension Fund attributable to the departure costs of some of the employees that were made redundant.
The total value of exit packages agreed in 2022/23 was £0.444m for 5 employees, an average of £89k (£0.010m for 5 employees in 2021/22, an average of £2k).

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £000	2022/23 £000
£0 - £20,000	0	0	5	4	5	4	10	5
£20,001 - £100,000	0	0	0	0	0	0	0	0
£100,001+	0	0	0	1	0	1	0	457
Total	**0**	**0**	**5**	**5**	**5**	**5**	**10**	**462**

Termination Benefits
Termination payments to employees include: redundancy payments, payment in lieu of notice, or any other departure payments, but do not include any pension costs. In 2022/23 the termination payments made to employees totalled £0.133m and related to 5 staff. In 2021/22 the termination payments made to employees totalled £0.010m and related to 5 staff.

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 2021/22 and 2022/23 was Grant Thornton UK LLP.

	2021/22 £000	2022/23 £000
Fees payable to the appointed auditor for external audit services	72	73
Additional 2021/22 fees for external audit services	0	3
Fees payable for HB certification	27	28
Total fees payable to external auditor	**99**	**104**

The 2022/23 fees payable of £73k for external audit are taken from the Grant Thornton Audit letter. These include the £50k scale fee published by PSAA and fee variations of £23k for 2022/23 including new issues for 2022/23 of £5k.

As a response to the recommendations of the Redmond Review, DLUHC have provided funding to Local Authorities in 2021/22 and 2022/23 to help with increased audit fee costs. SLDC's allocation was £22k in 2021/22 and 2022/23. Additionally income was also received from PSAA of £8k in 2021/22 relating to surplus funds from 2020/21.

Fees paid for non-audit services comprise £28k for Housing Benefit certification.

17. Grant Income

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

	2021/22 £000	2022/23 £000
Specific Grant Credited to Services:		
Department for Works and Pensions -		
Housing Benefit Subsidy	(12,765)	(12,179)
Housing Benefit Administration grant	(157)	(157)
Housing Benefits Local Scheme	(15)	(12)
Other Revenue and Benefits Grants	(49)	(47)
Department of Levelling Up, Housing and Communities (previously Ministry of Housing, Communities & Local Government) -		
UK Shared Prosperity Fund	0	(374)
New Burdens: Energy Rebate and Covid grants	0	(270)
NNDR grants	(305)	(311)
Preventing Homelessness	0	(184)
New Homes Bonus	(65)	(130)
Rough Sleeping and Homelessness	(336)	(90)
Council Tax Reduction Scheme Admin grant	(81)	(78)
Other Housing and Homelessness grants	0	(68)
Local Council Tax Discounts	(45)	(52)
Domestic Abuse Victim Support	(33)	(23)
Local Audit	(22)	(22)
Transparency Grant	(8)	(8)
Cabinet Office		
Local Election Funding	(17)	5
Elections	(170)	0
Covid Sales Fees and Charges grant	(116)	0
(includes £78k which was included in investment property income on the CIES and therefore is not in the cost of services but is included here to give a complete and accurate view of income received)		
Ulverston Masterplan	(52)	0
Apprenticeship Training Grant	(17)	(36)
Supported Accommodation	(12)	0
Other Grants	(16)	(33)
Grants funding REFCUS (DFG, Cross-a-Moor roundabout, Conservation and CIL)	(5,994)	(838)
Total Specific Grant credited to Cost of Services	**(20,275)**	**(14,907)**
Contributions Credited to Cost of Services		
Recycling Credit Contributions	(1,538)	(1,536)
Other Contributions	(104)	(221)
Total Contributions credited to Cost of Services	**(1,642)**	**(1,757)**
Energy Rebate Grants - disbursed on behalf of government	**0**	**(190)**
Covid-19 Grants - disbursed on behalf of government	**(5,160)**	**0**
Total Grants and contributions credited to Cost of Services	**(27,077)**	**(16,854)**

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.

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

Movements in 2021/22	**Other Land and Buildings** £000	**Vehicles, Plant, Furniture & Equipment** £000	**Infrastructure Assets** £000	**Community Assets** £000	**Assets under Construction** £000	**Surplus Assets** £000	**Total Property, Plant and Equipment** £000
Cost or Valuation							
At 1 April 2021	**59,073**	**14,617**	**1,216**	**515**	**3,394**	**270**	**79,085**
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)
At 31 March 2022	**64,538**	**14,092**	**1,118**	**530**	**2,739**	**240**	**83,257**
Accumulated Depreciation							
at 1 April 2021	**(1,327)**	**(8,257)**	**(306)**	**0**	**0**	**0**	**(9,890)**
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
At 31 March 2022	**(485)**	**(7,417)**	**(231)**	**0**	**0**	**0**	**(8,133)**
Net Book Value							
at 31 March 2021	**57,746**	**6,360**	**910**	**515**	**3,394**	**270**	**69,195**
at 31 March 2022	**64,053**	**6,675**	**887**	**530**	**2,739**	**240**	**75,124**

Movements in 2022/23	**Other Land and Buildings** £000	**Vehicles, Plant, Furniture & Equipment** £000	**Infrastructure Assets** £000	**Community Assets** £000	**Assets under Construction** £000	**Surplus Assets** £000	**Total Property, Plant and Equipment** £000
Cost or Valuation							
At 1 April 2022	**64,538**	**14,092**	**1,118**	**530**	**2,739**	**240**	**83,257**
Additions	0	1,331	0	0	301	0	1,632
Enhancements	731	12	0	653	279	0	1,675
Disposals	0	(476)	0	0	0	0	(476)
revaluations recognised in RR	1,297	0	0	11	0	0	1,308
revaluations recognised in I&E	(3,156)	0	0	(637)	0	0	(3,793)
assets reclassified	2,979	(451)	0	(11)	(3,018)	27	(474)
At 31 March 2023	**66,389**	**14,508**	**1,118**	**546**	**301**	**267**	**83,129**
Accumulated Depreciation							
at 1 April 2022	**(485)**	**(7,417)**	**(231)**	**0**	**0**	**0**	**(8,133)**
depreciation charge in the year	(2,232)	(1,368)	(22)	0	0	0	(3,622)
Disposals	0	476	0	0	0	0	476
revaluations recognised in RR	2,235	0	0	0	0	0	2,235
revaluations recognised in I&E	45	0	0	0	0	0	45
assets re-classified	1	349	0	0	0	(1)	349
At 31 March 2023	**(436)**	**(7,960)**	**(253)**	**0**	**0**	**(1)**	**(8,650)**
Net Book Value							
at 31 March 2022	**64,053**	**6,675**	**887**	**530**	**2,739**	**240**	**75,124**
at 31 March 2023	**65,953**	**6,548**	**865**	**546**	**301**	**266**	**74,479**

The net book value of assets reclassified out from PPE (£125k) is matched by the amounts reclassified into Assets Held for Sale (£125k) in Note 21.

During 2021/22 South Lakeland House underwent extensive refurbishment and reconfiguration. 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. Remaining works were completed in 2022/23 - at 31 March 2023 none of the building is under construction and the building has been revalued in its completed state.

Information on Assets Held

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

Property, Plant and Equipment Assets Held	Number at 31 March 2021	Changes 2021/22	Number at 31 March 2122	Changes 2022/23	Number at 31 March 2023
Other Land and Buildings:					
Allotments	various sites	various sites	various sites	various sites	various sites
Car Parks	44	0	44	0	44
Cemeteries	9	0	9	0	9
Depots	4	0	4	(1)	3
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	1	4	0	4
Sports Centres	3	0	3	0	3
Swimming Pools	2	0	2	0	2
Toilets	30	0	30	0	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	39	1	40	0	40
Vehicles Plant and Equipment:					
Vehicles	88	(11)	77	0	77
Infrastructure Assets:					
Sea Defences	1	0	1	0	1
Sewerage Works	2	0	2	0	2
Land Drainage schemes	1	0	1	0	1
Community Assets:					
Historic Structures	5	0	5	0	5
Parks, Woodland and Open Spaces *	193	2	195	2	197
Surplus Assets:	6	(1)	5	(1)	4

Depreciation

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

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

Classification	**Detail**	**Default Useful Life (Years)**
Other Land and Buildings	Car Parks - Multi-storey	50
	Car Parks - Surface	20
	Temporary / Insubstantial Buildings	20
	Public Conveniences	30
	Other Buildings	50
Vehicles, Plant and Equipment	Vehicles	Up to 10
	IT Equipment	5
	Wheeled Bins	20
	Vessels and Office Equipment / Furniture	10
	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. H. Loney MRICS, Estates Surveyor, 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 (6th Edition) and guidance provided by CIPFA.

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

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

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

	Other Land and Buildings £000	**Vehicles, Plant, Furniture & Equipment £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Assets under construction £000**	**Surplus £000**	**Total £000**
Carried at historical cost	283	6,481	865	540	301	0	**8,470**
Valued at fair value as at:							
31 March 2023	53,960	0	0	0	0	0	**53,960**
31 March 2022	9,408	0	0	0	0	120	**9,528**
31 March 2021	568	0	0	0	0	120	**688**
31 March 2020	1,734	67	0	6	0	26	**1,833**
31 March 2019	0	0	0	0	0	0	**0**
Total Cost or Valuation	**65,953**	**6,548**	**865**	**546**	**301**	**266**	**74,479**

The major capital commitments as at 31 March were:

	2022 £000	2023 £000
Affordable Housing Grants	0	0
Kendal Town Hall/ SL House	2	0
Public Realm Schemes	210	0
Vehicles	126	89
Car Parks	3	19
Play Areas	9	48
IT Replacement Fund/Digital Innovation	18	12
Community Housing Fund	637	526
Other Housing schemes	13	0
Braithwaite Fold Caravan Park	0	0
Grange Promenade & LIDO	164	195
Bins and Signage	2	0
Abbot Hall redevelopment	43	1
Energy Saving Building Enhancements	16	0
Others	10	18
Total Commitments	**1,225**	**908**

The main commitments at 31 March 2023 were – community housing fund grants awaiting invoices (£526k), refuse vehicles ordered with significant lead time, due for delivery in 2023/24 (£89k), works ordered but not commenced regarding Grange LIDO (£195k).

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19. Impairment Losses and Downward Revaluations

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

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

For 2022/23 there were no impairment losses due to obsolescence or physical damage but specific assets were revalued down by £5,063k. This was due to capital expenditure that has not added to the current or fair value of assets (£928k) and the revaluation of assets to reflect current market conditions (£4,135k).

	2021/22 £000	2022/23 £000
Car Parks	(75)	(1,044)
Lake Assets	(55)	(26)
Offices	(2,524)	(3,041)
Historic properties	(68)	(608)
Retail/commercial properties	(623)	(16)
Recreation/parks	(80)	(95)
Markets	(90)	(46)
Toilets	0	(71)
Depots	0	0
Other	(95)	(116)
Total Impairments and downward Revaluations	**(3,610)**	**(5,063)**
Through Provision of Services	**(1,269)**	**(1,269)**
Through Other CIES	**(2,341)**	**(3,794)**
Prior year impairments credited to Provision of Services	**961**	**151**

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 2022/23 an upgrade was carried out to the Income Management system (£23k). A review of software system assets was carried out in the year, and systems no longer used were disposed (£134k).

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 2023 they made up £55k (£55k at 31 March 2022) of the balance sheet amount. The movement on Intangible Asset balances during the year is as follows;

	2021/22 £000	2022/23 £000
Cost or Valuation:		
Balance at 1 April	**1,651**	**1,050**
Additions/enhancements	62	23
Disposals	(647)	(134)
Impairments	(16)	0
Assets reclassified	0	0
At 31 March	**1,050**	**939**
Amortisation:		
At 1 April	**(1,191)**	**(680)**
Charge for the Year	(136)	(144)
Disposals	647	134
Assets reclassified	0	0
At 31 March	**(680)**	**(690)**
Balance Sheet Amount at 1 April	**460**	**370**
Balance Sheet Amount at 31 March	**370**	**249**

21. Assets Held for Sale

	2021/22 £000	2022/23 £000
Cost or Valuation:		
Balance at 1 April	**50**	**100**
Additions/ revaluations	0	0
Disposals	(825)	(474)
Assets re-classified	875	474
At 31 March	**100**	**100**
Depreciation at 1 April	**0**	**0**
Charged in year	0	0
Disposals	811	349
Assets re-classified	(811)	(349)
At 31 March	**0**	**0**
Net Book Value		
At 31 March	**100**	**100**

During 2022/23 seven obsolete vehicles were re-classified as assets held for sale and the sales were completed. Land sites at Alexander Drive, Endmoor and Castle Rise, Kendal were re-classified as assets held for sale, and the sales completed.

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 2022/23 and revealed no change from the previous valuation.

The balance sheet is as follows:

Movements	Museum Collections 2021/22 £000	Museum Collections 2022/23 £000
Cost or Valuation		
At 1 April	1,876	1914
Additions	0	0
Enhancements	84	0
Disposals	0	0
Revaluations	(46)	0
At 31 March	**1,914**	**1,914**
Net Book Value		
at 1 April	**1,876**	**1,914**
at 31 March	**1,914**	**1,914**

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.

23. Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment properties or to repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Movements in Fair Value	2021/22 £000	2022/23 £000
Balance at start of the year	**2,449**	**2,541**
Additions and enhancements	19	0
Disposals	0	0
Revaluations	128	7
Reclassifications and amendments	0	0
Impairments	(55)	(16)
Balance at end of the year	**2,541**	**2,532**

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;

Investment Properties Assets Held	Number at 31 March 2021	Changes 2021/22	Number at 31 March 2022	Changes 2022/23	Number at 31 March 2023
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:

- £2.21m (£2.22m 2021/22) of the closing value has been based on the income method where the current rental has been capitalised, taking into account the security of tenure, desirability of the site and potential for rental increases. The range of values for capitalising the income is to apply a multiple of between 8 and 11 with one exception at 17 (between 7 and 13 in 2021/22).
- £0.32m (£0.32m 2021/22) 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, H Loney, 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.

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 South Lakeland House refurbishment (£279k), Vehicle and Plant Programme (£412k) and Westmorland Shopping Centre car park (£412k).

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement	**21,224**	**24,044**
Capital Investment:		
Property, Plant and Equipment, Intangibles, Investment Properties and Heritage	5,108	3,330
Revenue Expenditure Funded from Capital under Statute	5,767	3,608
Sources of finance:		
Capital receipts	(836)	(753)
Government grants and other contributions	(5,033)	(3,249)
Sums set aside from revenue:		
Direct revenue contributions	(1,215)	(989)
Minimum Revenue Provision	(975)	(1,182)
Closing Capital Financing Requirement	**24,044**	**24,810**
Explanation of movements in year:		
Decrease in underlying need to borrow - Minimum Revenue Provision	(975)	(1,182)
Increase in underlying need to borrow	3,791	1,947
Increase/(decrease) in Capital Financing Requirement	**2,820**	**765**

25. Leases

Council as Lessee

Finance Leases

The Council have 8 Sweeper Vehicles that have been treated as a finance lease in 22/23 and are included in Note 18 PPE at the following amounts:

	31 March 2022 £000	31 March 2023 £000
Cost or Valuation	0	0
Additions	0	907
Depreciation	0	(54)
Total NBV	**0**	**853**

The Council is committed to making minimum payments under these lease terms comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2022 £000	31 March 2023 £000
Minimum lease payments:		
Not later than one year	0	278
Between one year and five years	0	1,031
Later than five years	0	0
Less future maintenance charges	0	(232)
Less future finance charges	0	(209)
Total	**0**	**868**
Included in:		
Current liabilities	0	278
Non-current liabilities	0	590
Total	**0**	**868**

The minimum lease payments will be payable over the following periods:

	31 March 2022 £000	31 March 2023 £000
Present value of minimum lease payments:		
Not later than one year	0	252
Between one year and five years	0	616
Later than five years	0	0
Total	**0**	**868**
Included in:		
Current liabilities	0	252
Non-current liabilities	0	616
Total	**0**	**868**

Operating Leases

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

	31 March 2022 £000	31 March 2023 £000
Not later than one year	178	110
Between one year and five years	56	23
Later than five years	4	4
Minimum lease payments	**238**	**137**

The future lease payments are significantly different from previous years. This is due to various lease agreements have come to an end or either coming to an end. We no longer lease a number of flats for social lettings, and no longer hire the refuse/recycling vehicle.

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 £45k.

£129k was charged to the Comprehensive Income and Expenditure Statement for operating leases in 2022/23 (£158k in 2021/22). 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 Council has granted mooring and storage leases at Ferry Nab Marina, Windermere to promote tourism, recreation and to generate income.

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

	31 March 2022 £000	31 March 2023 £000
Not later than one year	919	1,700
Between one year and five years	1,507	1,398
Later than five years	5,471	5,178
Total	**7,897**	**8,276**

‘Not later than one year’ has increased in comparison to 2022, as we have included permanent moorings and storage leases this year.
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.

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 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Investments:						
Amortised Cost	0	0	18,000	10,000	18,000	10,000
Financial assets at fair value through profit and loss	0	0	0	0	0	0
Total Investments	**0**	**0**	**18,000**	**10,000**	**18,000**	**10,000**
Debtors:						
Amortised Cost	51	50	2,154	1,783	2,205	1,833
Debtors that are not financial instruments	*0*	*0*	*14,282*	*6,163*	14,282	6,163
Total Debtors	**51**	**50**	**16,436**	**7,946**	**16,487**	**7,996**
Cash & Cash Equivalents						
Amortised Cost	0	0	13,068	2,324	13,068	2,324
Financial assets at fair value through profit and loss	0	0	7,750	10,000	7,750	10,000
Total Cash & Cash Equivalents	**0**	**0**	**20,818**	**12,324**	**20,818**	**12,324**
Borrowings:						
Financial liabilities at amortised cost	(12,800)	(12,800)	0	0	(12,800)	(12,800)
Total borrowings	**(12,800)**	**(12,800)**	**0**	**0**	**(12,800)**	**(12,800)**
Creditors:						
Financial liabilities at amortised cost	0	0	(1,964)	(1,671)	(1,964)	(1,671)
Creditors that are not financial instruments	*0*	*0*	*(31,086)*	*(7,917)*	(31,086)	(7,917)
Total Creditors	**0**	**0**	**(33,050)**	**(9,588)**	**(33,050)**	**(9,588)**

Income, Expense, Gains and Losses

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

	2021/22			2022/23		
	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	(23)	(13)	(36)	(469)	(355)	(824)
(Gains) and Losses on Revaluation	0	0	0	0	0	0
Total (Income)/Expense in Surplus or Deficit on the Provision of Services	**544**	**(13)**	**531**	**98**	**(355)**	**(257)**
Gains on revaluation	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**
Net (gain)/loss for the year	**544**	**(13)**	**531**	**98**	**(355)**	**(257)**

Financial assets and liabilities measured at fair value

Some of the Council's financial assets are measured at fair value in the balance sheet. The valuation of assets and liabilities measured at fair value has been classified into three levels. Details of the fair value levels can be found in Accounting Policy 12.

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

Fair Value through Profit and Loss	Input level in Fair Value Hierarchy	Valuation Technique used	As at 31 March 2022 £000	As at 31 March 2023 £000
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	7,750	10,000
Total			**7,750**	**10,000**

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 4.59% and 4.71% (2.50% and 2.64% for 31 March 2022). 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 3.67% and 3.79% under PWLB debt redemption procedures (1.57% and 1.71% for 31 March 2022).
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- the fair value of creditors and debtors is taken to be the invoiced or billed amount.
- the fair value of long term investment in the closed rent to mortgage scheme is achieved using Level 2 inputs. These inputs are the observable values of similar properties in the same area.

Liabilities	31 March 2022		31 March 2023	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial liabilities – PWLB Redemption Rate	(12,800)	(21,902)	(12,800)	(14,504)
Financial liabilities – PWLB New Loan Rate	As above	(18,118)	As above	(12,372)
Current Creditors	(1,964)	(1,964)	(1,671)	(1,671)
Total Financial Liabilities (Redemption)	**(14,764)**	**(23,866)**	**(14,471)**	**(16,175)**
Total Financial Liabilities (New Loan)	**(14,764)**	**(20,082)**	**(14,471)**	**(14,043)**

The fair value of the liabilities was higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable at 31st March 2022 was higher than the rates available for similar loans in the market, at the balance sheet date. Due to the increase in interest rates during 2022/23 the fair value is now lower than the carrying amount based on the new loan rate and slightly higher than the carrying amount based on the redemption rate. The difference between the carrying amount and the fair value reflects the notional future loss (or gain) arising from a commitment to pay interest to lenders above (or below) current market rates.

Assets	31 March 2022		31 March 2023	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Amortised Cost - Long Term Debtors	51	111	50	111
Amortised Cost - Current Investments	18,000	17,949	10,000	9,941
Amortised Cost - Cash Equivalents	13,068	13,068	2,324	2,324
Current Debtors	2,154	2,154	1,783	1,783
Total Financial Assets	**33,273**	**33,282**	**14,157**	**14,159**

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 lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate payable was lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss arising from a commitment to receive interest below the current market rates and results from the rapid increase in interest rates during 2022/23.

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.

Following fiscal events last autumn there has been significant market volatility, and this impacts on the financial instruments held by local authorities.

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 2022/23 Annual Treasury Management Strategy was reported to and approved by Council on 22 February 2022, and is available on the Councils website. The strategy incorporates the requirements of the legal framework, which include the requirement to manage risk in the following ways:

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

  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The key indicators within the strategy were:

- the Authorised Limit for 2022/23 was set at £32.3m (£31.6m for 2021/22). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £25.3m (£24.8m for 2021/22). 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 (£30m 2021/22).

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

Credit Risk

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

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

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

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

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

	Criteria	***Money* Limit**	***Time* Limit**
UK Banks	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
Building Societies	Top 5 by Asset size and assets> £2 billion	£3m	6 months

	Criteria	***Money* Limit**	***Time* Limit**
Building Societies	Top 6-10 by Asset size and assets> £2 billion	£2m	6 months
Debt Management Account Deposit Facility - DMADF	n/a	Unlimited	6 months
UK Gilts, Treasury Bills	n/a	Unlimited	5 years
Local Authorities	n/a	£5m	2 years
Money Market Funds - *LVNAV* - *CNAV Government Funds*	AAA	£10m	Liquid
Multilateral Development Banks and Supranational Organisations	AAA	£3m	2 years
Other Collective Investment Schemes e.g. Enhanced Money Market Funds & Bond Funds	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 breaches in 2022/23.

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 2021/22 the loss allowance was £1.444m and for 2022/23 this has changed to £1.5m. 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. At the 31st March 2023 the Council's investments were either with other local authorities or in money market funds where balances can be withdrawn with immediate effect.

Liquidity Risk

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

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

The Council does not generally allow credit for customers. However £519k of the £804k balance (due from its general debtors) is past its due date for payment (more than 30 days overdue) (£524k of £1.1m for 31 March 2022). The past due but not impaired amount can be analysed by age as follows:

	31 March 2022 £000	**31 March 2023 £000**
0 to six months	113	102
Six months to one year	94	87
More than one year	317	331
Total	**524**	**520**

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	31 March 2022		31 March 2023	
	£000	£000	%	£000	%
Less than 1 year (creditors and short term borrowing) *	25%	(1,964)	13%	(1,671)	12%
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%	(6,800)	47%
Between 30 and 40 years	100%	(12,000)	81%	(6,000)	41%
Between 40 and 45 years	100%	0	0%	0	0%
Total		**(14,764)**	**100%**	**(14,471)**	**100.00%**

Market Risk

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

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

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

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

Sensitivity analysis	**31 March 2022 £000**	**31 March 2023 £000**
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(342)	(423)
Impact on surplus or deficit on the provision of services	**(342)**	**(423)**
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	**0**	**0**
Decrease in value of fixed rate borrowings liabilities (based on early repayment)*	4,040	2,285
Decrease in fair value of fixed rate borrowings liabilities (based on new loan rate)*	3,146	1,557

*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:

	31 March 2022 £000	**31 March 2023 £000**
Cash held by the Authority	2	2
Bank current accounts	13,066	2,322
Short-term deposits with Money Market Funds	7,750	10,000
Total Cash and Cash Equivalents	**20,818**	**12,324**

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

	2021/22 £000	**2022/23 £000**
Interest Received	31	680
Interest Paid	(567)	(595)
	(536)	**85**

28. Debtors

The current debtors balance is made up as follows:

	31 March 2022 £000	31 March 2023 £000
Trade Receivables	1,457	1,379
Prepayments	385	528
Contribution to DLUHC relating to NNDR	8,060	1,175
Collection Fund Deficits	2,755	830
Other Receivable Amounts	3,779	4,034
Total	**16,436**	**7,946**

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:

Allowance for credit losses	Balance 1 April 2021 £000	Debts written off in year £000	Increase (decrease) in year £000	Balance 31 March 2022 £000	Debts written off in year £000	Increase (decrease) in year £000	Balance 31 March 2023 £000
Council Taxpayers	**302**	(156)	218	**364**	(23)	39	**380**
Non Domestic Ratepayers	**504**	(95)	105	**514**	(64)	131	**581**
Sundry Debtors	**1,452**	(64)	56	**1,444**	(68)	124	**1,500**
Total	**2,258**	**(315)**	**379**	**2,322**	**(155)**	**294**	**2,461**

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

29. Creditors

The current creditors balance is made up as follows:

	31 March 2022 £000	31 March 2023 £000
Trade Payable	(2,126)	(1,897)
Government Grants received in advance:		
s31 grant for NNDR additional reliefs	(9,513)	0
Covid-19 grants where SLDC agent	(6,767)	0
Council tax energy rebate	(5,193)	(754)
Covid Additional Restrictions Grant (CARF)	(2,110)	(1,795)
Cumbria Business Rate Pool - levy and safety net	(2,108)	(2,118)
Housing Benefit Subsidy	(1,148)	0
Other Payables	(4,085)	(3,024)
Total	**(33,050)**	**(9,588)**

Government departments make up the greatest proportion of creditors where the Council has received grants in advance of payment.

	31 March 2022 £000	31 March 2023 £000
Long-term Developer contributions under s106 agreements	(547)	(505)
Short-term Developer contributions under s106 agreements and other grants due to be spent in 2023/24	(246)	(350)
Total Grants Received in Advance	**(793)**	**(855)**

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 2022 and 2023 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 £182k (£156k at 31/3/22) is based on the Council's share (40%) of the estimated cost of the appeals.

Specific provisions	Balance 31 March 2021 £000	Amounts used in year £000	Amounts added / released in year £000	Balance 31 March 2022 £000	Amounts used in year £000	Amounts added / released in year £000	Balance 31 March 2023 £000
NDR appeals provision	**(1,123)**	208	759	**(156)**	141	(167)	**(182)**
Total	**(1,123)**	**208**	**759**	**(156)**	**141**	**(167)**	**(182)**

On 15th 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 in 2021/22.

31. Contingent Liabilities

At 31 March 2023, 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 £343k 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.
- The Council is involved in a number of cases concerning planning decisions made, this includes a judicial review and a prosecution of a resident for the breach of a tree preservation order. As with all legal cases, dependant on the outcome the Council may not recover its costs.
- The Council is involved in a number of cases concerning licensing decisions made, this includes an appeal to Crown Court against revocation of a hackney carriage driver's licence. 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 £742k 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.
- The Council is a member of the Cumbria business rate pool (until 31/3/23 when the pool will cease). During 2022/23 one of the members of the pool had a significant fall in income which triggered the operation of the pool safety net arrangements. For 2022/23 this was offset by monies set aside in a volatility reserve for this purpose. The call on the safety net was based on pre-audit estimates of the liability: while this may be monitored during the audit process there is a possibility that the call on the safety net is not resolved by the end of this Council's audit and any top-up of the safety net may fall into future financial years.
- 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:

o Asbestos indemnity – the Council has indemnified South Lakes Housing for all costs, claims and lawsuits against SLH which arise from any person being exposed to asbestos unless there is negligence on the part of SLH. The stock condition survey estimated South Lakes Housing will need to spend £2.2m on asbestos treatment/encapsulation etc. Should they spend more than the £2.2m they can call on the warranty for re-imbursement providing the works are carried out in accordance with the asbestos protocol.

o Environmental Pollution – the Council has warranted for 30 years from the date of transfer that SLH could claim up to £55m for dwellings that have been contaminated by environmental pollution. At the time of signing the transfer agreement the Council had been in full compliance with Environmental Law and to the best of its knowledge or belief knew of no circumstances which may prevent this in the future. Also there were no current or pending claims of this nature against the Council. The Council has purchased insurances against the need to pay South Lakes Housing under this warranty until 2027 and have a reserve set aside for any future purchase up until the end of the 30 year period. During 2015/16 the Council was notified of the detection of radon in properties covered by the warranty.

32. Contingent Assets

- Right to Buy sharing agreement – the Council has entered into an agreement with South Lakes Housing (SLH) relating to the future sales under the Preserved Right to Buy rules. This relates to any future sales of the transferred stock to existing tenants. The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of the receipt is calculated using a formula that takes the net income foregone by SLH from the total proceeds from the sale of dwellings for the year. There has been £0.70m of capital receipts from SLH in relation to this during 2022/23 (£0.64m in 2021/22).
- 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 2022/23 £0.40m was received during the year (£0.26m in 2021/22).
- 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. A litigation funding agreement is in place and the Council is required to pay the VAT only on invoices received.

33. Unusable Reserves

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

Unusable reserve	31 March 2022 £000	31 March 2023 £000
A. Untaken Absences Account	318	252
B. Pensions Reserve	30,620	3,069
C. Capital Adjustment Account	(14,639)	(11,375)
D. Collection Fund Adjustment Account	6,769	1,429
E. Revaluation Reserve	(41,365)	(43,087)
F. Deferred Capital Receipts Reserve	(790)	(937)
Total Unusable Reserves	**(19,087)**	**(50,652)**

A. Untaken Absences Account

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

UNTAKEN ABSENCES ACCOUNT	2021/22 £000	2022/23 £000
Balance at 1 April	**186**	**318**
Settlement or cancellation of accrual made at the end of the preceding year	(186)	(318)
Amounts accrued at the end of the current year	318	252
(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)	132	(66)
Balance at 31 March	**318**	**252**

B. Pensions Reserve

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

PENSIONS RESERVE	2021/22 £000	2022/23 £000
Balance at 1 April	**39,243**	**30,620**
Re-measurements of net defined benefit pension liability	(11,449)	(30,937)
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	5,298	6,009
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,472)	(2,623)
Balance at 31 March	**30,620**	**3,069**

C. Capital Adjustment Account

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

CAPITAL ADJUSTMENT ACCOUNT	2021/22 £000	2022/23 £000
Balance at 1 April	**(15,696)**	**(14,639)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
- Depreciation/impairment charges for non-current assets	4,416	7,371
- Amortisation of intangible assets	136	144
- Revenue expenditure funded from capital under statute	5,767	3,608
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	33	125
Capital Grants received and applied	(4,749)	(2,693)
Movements in the market value of Investment Properties	(72)	9
Total adjustments to Comprehensive Income and Expenditure Statement	**5,531**	**8,643**
Amounts direct from Revaluation Reserve	**(1,168)**	**(1,820)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance expenditure	(836)	(753)
Application of grants from Capital Grant Unapplied	(314)	(635)
Minimum Revenue Provision	(975)	(1,182)
Capital expenditure charged against the General Fund	(1,181)	(910)
Total financing	**(3,306)**	**(3,480)**
Balance at 31 March	**(14,639)**	**(11,375)**

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.

COLLECTION FUND ADJUSTMENT ACCOUNT	2021/22 £000	2022/23 £000
Balance at 1 April	**12,264**	**6,769**
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(5,398)	(5,301)
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	(97)	(39)
Balance at 31 March	**6,769**	**1,429**

E. Revaluation Reserve

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

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

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

REVALUATION RESERVE	**2021/22 £000**	**2022/23 £000**
Balance at 1 April	**(37,108)**	**(41,365)**
Upward revaluation of assets	(7,766)	(7,336)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,341	3,794
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(5,425)**	**(3,542)**
Difference between fair value depreciation and historical cost depreciation	1,168	1,820
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	**1,168**	**1,820**
Balance at 31 March	**(41,365)**	**(43,087)**

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.

DEFERRED CAPITAL RECEIPTS RESERVE	**2021/22 £000**	**2022/23 £000**
Balance at 1 April	**(480)**	**(790)**
Transfer of Capital Receipts	(746)	(894)
Transfer to the Capital Receipts Reserve upon receipt of cash	436	747
Balance at 31 March	**(790)**	**(937)**

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 2022/23 totals £287k (2021/22 £275k) 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

- A member of the Council is also a member of Ulverston Community Enterprise, a not-for-profit organisation and charity to whom we have paid £25.8k and recovered £5.0k (£28.1k and £14.3k respectively in 2021/22) relating to the operation of the Coronation Hall and Market Hall in Ulverston. They are also a member of Ulverston Coronation Hall, a not-for-profit organisation and charity directly running the Coronation Hall. They have received a grant of £150k relating to the losses incurred during Covid-19 and other payments of £2.3 during 2022/23.
- 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 21st 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 2022/23 year the Council paid Kendal Futures £50k (£80.5k in 2021/22) which represents over 60% of the bodies overall funding.
- A member of the Council is also a trustee of Lakeland Housing Trust, a registered charity who provide rented homes for local people who cannot afford to buy or long-term rent at current market prices. The trust received an affordable housing grant of £136.8k during 2021/22.

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.

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 2022/23 at its meeting on 27th February 2023.

"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. Only one relevant transactions, which was under £500, were declared by employees for the year ended 31 March 2023. A vacant post was covered by an interim worker who provided services under a company of which they were a director to the value of £5,000.

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 21st 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 1st 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 (£1.1m in 2022/23, £0.9m in 2021/22).

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

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 administrating 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:

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**	
	2021/22 £000	**2022/23 £000**	**2021/22 £000**	**2022/23 £000**
Comprehensive Income and Expenditure Statement (CIES):				
Cost of Services:				
- current service cost	4,382	4,760	0	0
- past service costs	0	1	0	0
- settlements and curtailments	33	335	0	0
- pension admin costs	86	94	0	0
Financing and investment income and expenditure:				
- Net interest cost on net liability	797	819	85	109
Total post-employment benefit charged to CIES	**5,298**	**6,009**	**85**	**109**
Other post-employment benefit charged to CIES				
- return on plan assets	(10,555)	11,444	0	0
- actuarial (gain)/losses due to demographic assumptions	(1,335)	(4,151)	(30)	(89)
- actuarial (gain)/losses due to financial assumptions	0	(69,015)	0	(995)
- pension asset ceiling adjustment	0	16,884		
- experience (gain)/loss	459	14,695	12	290
Total charged to the CIES	**(6,133)**	**(24,134)**	**67**	**(685)**
Movement in reserves statement:				
- reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(5,298)	(6,009)	(85)	(109)
Actual amount charged against the general fund in the year:				
- employers' contributions payable to scheme	2,197	2,353	275	270

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 2023 is a gain of £52.159m. The net of post-employment benefits debited to Other CIES is a credit of £47.821m (credit of £11.449m in 2021/22), 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 2022.

The projected employer contributions for the forthcoming financial year (2023/24) were estimated to be £1.378m (£2.498m 2022/23) however from 1 April 2023 all employees of the Council will transfer to Westmorland and Furness Council which will pay a contribution rate based on the combined contributions of the four authorities who are combining to form the new council.

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Arrangements	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Opening balance at 1 April	**174,314**	**177,000**	**4,232**	**4,024**
Current service cost	4,382	4,760	0	0
Interest cost	3,614	4,911	85	109
Contributions by scheme participants	713	768	0	0
- actuarial (gain)/losses due to demographic assumptions	(1,335)	(4,151)	(30)	(89)
- actuarial (gain)/losses due to financial assumptions	0	(69,015)	0	(995)
- experience (gain)/loss	459	14,695	12	290
Benefits paid	(5,180)	(3,890)	(275)	(270)
Past Service Costs	0	1	0	0
Curtailments and past service	33	335	0	0
Closing balance at 31 March	**177,000**	**125,414**	**4,024**	**3,069**

The weighted average duration of scheme liabilities is 16 years and is categorised as very mature due to the characteristics of the members of the fund.

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

	Local Government Pension Scheme - Funded		Unfunded	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Opening balance at 1 April	**139,303**	**150,404**	**0**	**0**
Interest on plan assets	2,902	4,201	0	0
Remeasurements (assets)	10,555	(11,444)	0	0
Pension Asset Ceiling Adjustment	0	(16,884)	0	0
Pension Administration Costs	(86)	(94)	0	0
Employer contributions	2,197	2,353	275	270
Contributions by scheme participants	713	768	0	0
Benefits paid	(5,180)	(3,890)	(275)	(270)
Closing balance at 31 March	**150,404**	**125,414**	**0**	**0**

Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2023 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs, and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

The value of the future accounting service costs was assessed using the projected pay and service costs for the following year, and the accounting assumptions as the current year end. The present value of the fund is dependent on the term over which it is measured. The fund has been treated as an open scheme as new employees could join the fund (and has transferred to the Westmorland and Furness fund on 1 April 2023, which is also open). Therefore fund membership is assumed to continue indefinitely (i.e. in perpetuity). A present value of the future accounting service cost can therefore be established.

	31st March 2023
Future accounting service cost (% of pay)	17.3%
Estimated payroll	£11.695m
Discount rate (p.a.)	4.8%
Salary growth (p.a.)	4.2%
Term:	Ongoing (in perpetuity)
Present value of future accounting service cost	£350.8k

(there are no comparative figures for 31/3/22 as the fund was in deficit)

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

Trend of Assets and Liabilities	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Present value of assets:					
Local Government pension scheme	122,891	119,041	139,303	150,404	125,414
Present value of liabilities:					
Local Government pension scheme	(156,924)	(151,281)	(174,314)	(177,000)	(125,414)
Discretionary benefits	(4,642)	(4,095)	(4,232)	(4,024)	(3,069)
Total scheme (deficit)/surplus	**(38,675)**	**(36,335)**	**(39,243)**	**(30,620)**	**(3,069)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. It is exceptional, based on past values, for the pension fund to have a surplus at the balance sheet date. Any deficit has had a substantial impact on the net worth of the Council as recorded in the Balance Sheet but statutory arrangements for funding a 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:

	Local Government Pension Scheme	
	2021/22	**2022/23**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	22.6	21.9
- women	25.3	24.2
Longevity at 65 for future pensioners:		
- men	24.1	23.3
- women	27.1	26.0
Other Assumptions:		
Rate of inflation - CPI	3.4%	2.7%
Rate of increase in salaries	4.9%	4.2%
Rate of increase in pensions in payment / deferment	3.5%	2.8%
Rate for discounting scheme liabilities	2.8%	4.8%

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.

There has been substantial volatility in financial markets over recent years due to COVID-19 and the situation in Ukraine, and their subsequent impact on global supply chains and inflation. After a period of relative stability following the COVID-19 shock, recently this volatility has increased significantly, particularly following the minibudget. This has contributed to significant volatility in bond markets, as yields increased markedly in recent months, with AA-rated corporate bond yields at 31 March up to 4.7% to 4.9% p.a. – far higher than at the start of the accounting year. Finally, market-implied RPI has been variable during the year, but has ultimately reduced (as the significant period of high inflation moves from the forward looking assumption and becomes known experience).

The actuary's view is that expected CPI can be derived by deducting between 0.8% p.a. (for shorter durations) and 0.6% p.a. (longer durations) from market implied RPI – this deduction allows for both an inflation risk premium (i.e. supply & demand characteristics in the index-linked gilts market) and the RPI / CPI gap to 2030. This variation by duration reflects longer durations having a greater proportion of benefits payable after 2030, by which time RPI is expected to be in line with CPIH.

Increases in pensions and deferred pensions are in line with CPI but with a minimum of zero. To reflect this a margin is added – currently 0.1% - to the base CPI assumption rate. There is no such adjustment to the active post 1 April 2014 CARE revaluation rate as there is no annual minimum of zero.

Assets

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

Composition of Local Government Pension Scheme Assets	**31 March 2022**		**31 March 2023**	
	£000	**%**	**£000**	**%**
Equity investments				
UK Quoted	7,671	5.1	6,830	4.8
Global Quoted	38,203	25.4	38,420	27.0
Overseas Equity Pooled	6,919	4.6	6,830	4.8
Bonds				
UK Government Index Pooled (unquoted)	25,418	16.9	19,922	14.0
Property				
UK	9,475	6.3	6,973	4.9
Property Funds	4,211	2.8	3,984	2.8
Cash/Liquidity				
Cash Accounts	4,061	2.7	3,700	2.6
Net Current Assets	151	0.1	142	0.1
Other				
Healthcare Royalties	1,955	1.3	2,277	1.6
Private Debt Funds	7,219	4.8	9,819	6.9
Private Equity Funds	9,175	6.1	11,526	8.1
Infrastructure Funds	15,341	10.2	18,926	13.3
Multi Asset Credit	20,605	13.7	12,949	9.1
Total	**150,404**	**100.0**	**142,298**	**100.0**

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 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.

	Liabilities £000	Assets £000	**Deficit/ surplus** £000	Projected Service Cost for next year £000	Projected Net Interest Cost for next year £000
Central	(128,483)	142,298	**13,815**	(2,069)	702
+0.5% pa discount rate	(119,045)	142,298	**23,253**	(1,776)	1,275
+0.25% pa inflation	(133,563)	142,298	**8,735**	(2,239)	451
+0.25% pa pay growth	(129,010)	142,298	**13,288**	(2,069)	670
+1 yr life expectancy	(131,157)	142,298	**11,141**	(2,120)	567
+1% 2022/23 investment returns	(128,483)	143,717	**15,234**	(2,069)	770
-1% 2022/23 investment returns	(128,483)	140,879	**12,396**	(2,069)	634

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2022/23
INCOME AND EXPENDITURE ACCOUNT (G)

INCOME AND EXPENDITURE ACCOUNT

2021/22 £000	2021/22 £000		Note	2022/23 £000	2022/23 £000
		INCOME			
(107,137)		Council Tax (Gross)		(110,301)	
9,179		Less Council Tax Discounts		9,460	
5,783		Less Council tax reduction scheme		5,819	
	(92,175)	**Net Income from Council Tax**			**(95,022)**
	(27)	**Local Council Tax Discounts from General Fund**			**(23)**
	(28,328)	**Non-Domestic Rates**	**3**		**(36,274)**
	(120,530)	**TOTAL INCOME**			**(131,319)**
		EXPENDITURE			
68,006		Cumbria County Council Precept	2	70,571	
12,355		Cumbria Police Precept	2	13,031	
11,098		SLDC (inc Parish) Precepts	2	11,570	
156		Council Tax Amounts written-off		189	
540		Council tax impairment of debt		133	
	92,155	**Council Tax Precepts and Demands**			**95,494**
22,304		Central Government share		18,793	
4,461		Cumbria County Council share		3,759	
17,843		SLDC share		15,034	
(33)		Transitional protection payments		176	
239		NDR Amounts written-off		160	
25		Increase / (reduction) in NDR debt Impairment		168	
520		NDR appeals provision utilised in year		(353)	
(2,938)		Increase / (reduction) in NDR appeals provision		420	
305		Cost of Collection Allowance		311	
	42,726	**Non-Domestic Rates expenditure**			**38,468**
	134,881	**TOTAL EXPENDITURE**			**133,962**
(46)		**Council Tax (Surplus)/Deficit for the Year**		**449**	
14,399		**NDR (Surplus)/Deficit for the year**		**2,194**	
	14,353	**TOTAL (SURPLUS) / DEFICIT FOR THE YEAR**			**2,643**
(199)		SLDC share b/f Council Tax surplus		(95)	
(82)		Cumbria Police share b/f Council Tax surplus		(105)	
(446)		Cumbria County Council share b/f Council Tax surplus		(574)	
(11,158)		SLDC share of projected NDR (deficit)/surplus		(6,177)	
(13,948)		Central share of projected NDR (deficit)/surplus		(7,721)	
(2,790)		County share of projected NDR (deficit)/surplus		(1,544)	
	(28,623)	**Total contributions for prior years**			**(16,216)**

Ctax	NDR	Fund balance reconciliation		CTax	NDR
2,270	**29,964**	**(Surplus) / Deficit at 1 April**	**4**	**1,497**	**16,467**
(773)	**(13,497)**	**Movement in year**	**4**	**(325)**	**(13,248)**
1,497	**16,467**	**(Surplus) / Deficit at 31 March**	**4**	**1,172**	**3,219**
	17,964	**TOTAL (SURPLUS)/DEFICIT AT 31 MARCH**			**4,391**

SOUTH LAKELAND DISTRICT COUNCIL
Collection Fund 2022/23
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 £70.570m (£68.006m for 2021/22), Cumbria Police Authority £13.031m (£12.355m for 2021/22) and the Council £11.570m (£11.098m for 2021/22) 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): 46,185 for 2022/23 (45,396 for 2021/22). This basic amount of Council Tax for a Band D property of £2,060.66 (£2,014.68 for 2021/22) 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 2022/23 was calculated on the following basis:

Band	Chargeable Dwellings (net of discounts)	Proportion of Band D Tax	2022/23 Band D Equivalent Dwellings	2021/22 Band D Equivalent Dwellings
A	3,126	6/9	2,084	2,034
B	8,410	7/9	6,541	6,416
C	10,321	8/9	9,174	8,950
D	8,954	9/9	8,954	8,895
E	6,883	11/9	8,413	8,338
F	4,530	13/9	6,543	6,384
G	2,670	15/9	4,450	4,359
H	246	18/9	492	479
All Bands	**45,140**		**46,651**	**45,855**
Allowance for 1% late collection			(466)	(459)
Council Tax Base			**46,185**	**45,396**

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 2022/23 (51.2p for 2021/22). 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 2021/22) and can also qualify for rate relief.

Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their Rateable Value by the appropriate rate.

The Council is responsible for collecting rates due from the ratepayers in its area, the total Non-Domestic Rateable Value as at 31 March 2023 is £124.5m (£124.6m at 31 March 2022). Mandatory and discretionary reliefs are available, including expanded retail relief for Covid-19.

	2021/22 £000	2022/23 £000
Gross Rates Payable	(61,526)	(61,155)
less:		
Transitional Relief	33	(175)
Mandatory Reliefs	15,282	15,441
Discretionary Reliefs	16,800	8,757
Unoccupied Property	1,083	858
Net Rates Payable	**(28,328)**	**(36,274)**

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 £14.158m (£12.084m for 2021/22) and the share of the 2022/23 deficit £6.176m (£11.158m in 2021/22) is transferred into the General Fund. This is then reduced by a tariff payment £15.359m (£15.359m for 2021/22) 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 £36.274m (£28.328m for 2021/22). Income has risen as a result of additional reliefs awarded due to the Covid-19 pandemic coming to an end during 2021/22.

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 2022/23 identified between Council Tax and Non-Domestic Rates.

SOUTH LAKELAND DISTRICT COUNCIL
THE ANNUAL GOVERNANCE STATEMENT 2022/23 (H)

1. Scope of Responsibility

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

In discharging this overall responsibility, the Council was 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.

As a result of local government reorganisation South Lakeland District Council ceased to exist on 31 March 2023. The assets and liabilities of the Council transferred to the new Westmorland and Furness Council on 1 April 2023 and there has been continuation of service delivery with the new Council. Governance arrangements from 1 April 2023 have been the responsibility of Westmorland and Furness Council.

South Lakeland District Council approved and adopted a Local Code of Governance, which was consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*" (2016). A copy of the Local Code was available at www.southlakeland.gov.uk or can be obtained on written request at South Lakeland House, Lowther Street, Kendal, Cumbria, LA9 4DQ. The Local Code of Governance was reviewed annually by the Council's Audit Committee to ensure it remained relevant, effective, comprehensive and up-to-date: the review covering 2022/23 was reported to Audit Committee in March 2023.

This statement explains how the Council complied with the Code, identifies any areas of weakness with an action plan to address these weaknesses (where appropriate), 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 accounted to, engaged with and led the community. It enabled the Council to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.

The system of internal control was a significant part of that framework and was 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 was 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 was in place at South Lakeland District Council for the year ending 31 March 2023.

3. The Principles of Good Governance and the Governance Framework

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

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

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

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

- A regularly reviewed Council Plan that included explicit outcomes. This was derived through stakeholder engagement and set out the Council's aspirations. It drove strategic decision making, financial planning and detailed service planning.
- A comprehensive and regularly reviewed Constitution setting out how the Council operated. Members and Officers ensured that the protocols in the constitution and other relevant statutes, regulations and guidance were both followed and led to transparent, ethical and legal decision making. This ensured effective accountability and strong financial management.
- A structure including Standards and Overview and Scrutiny committees which were independent of the Cabinet. These monitored delivery against both financial and Council plan targets as well as compliance with the Council's high ethical and behavioural expectations. Audit Committee monitored internal control corporately, including the arrangements to manage risk. All committees were supported by qualified professional officers to provide timely, relevant information which was open and transparent.
- The Council recognised a need for continued investment in technology, innovation and organisational development. This was reflected in the 'Customer Connect' project which re-shaped the operating model of the Council and enhanced digitally enabled services, and engaged customers, local tax payers and partners in service improvement. All services and processes, including the use of technology, were reviewed as part of the LGR implementation project.

These show at a strategic level, that the Council's key governance arrangements were 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 with the last review considered by Audit Committee in March 2023. Internal Audit carried out a review of the Local Code during 2020/21: 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	Approved the Council Plan, key policies and budgetary framework Approved the Constitution (including Financial Regulations)
Cabinet	Took decisions to deliver the Council Plan and key policies and budget Comprised seven Cabinet members (including the Leader) who have responsibility for particular portfolios
Audit Committee	Provided independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment Approved the annual Statement of Accounts and Annual Governance Statement (the 2022/23 Statement of Accounts and Annual Governance Statement will be submitted to the audit committee of Westmorland and Furness Council for approval)
Standards Committee	Was 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	Held Cabinet and officers to account and scrutinised performance

Chief Executive, Corporate Management Team and Leadership Team	The Chief Executive had responsibility for the overall management of the Council, its vision and strategy. Corporate Management Team and Leadership Team implemented the policy and budgetary framework set by the Council and provided advice to Cabinet and the Council on the development of future policy and budgetary issues: oversaw the implementation of Council policy.
Monitoring Officer	Legal, Governance and Democracy Lead Specialist Ensured the Council operated lawfully and developed, maintained and operated within a Constitution suited for its requirements.
Chief Finance Officer (S151)	Finance Lead Specialist Was accountable for the Council's systems and processes to ensure sound financial stewardship and that the Council delivered value for money in the services it provided. Ensured counter fraud arrangements Ensured timely support, information and responses to external auditors and properly considered audit findings and recommendations. Ensured that assurance arrangements conformed to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they did not, explained why and how they delivered the same impact.
Internal Audit	Provided independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivered an annual programme of risk based audit activity Made recommendations for improvements in the management of risk.
External Audit	Audited / reviewed and reported on the Council's financial statements (including the Annual Governance Statement), provided an opinion on the accounts and use of resources, concluded on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	Were responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Contributed to the effective corporate management and governance of the Council.

5. Review of Effectiveness

South Lakeland District Council had 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 were as follows:

Corporate Level review

Officers 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 in 2020/21. A revised self-assessment was undertaken for 2022/23 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 was the highest score and zero indicates no internal controls. Over 85% of measures assessed were scored at 4/4. Where measures were assessed at 3 or below they were reviewed and scores updated where actions have been implemented. The latest review, compared to the original detailed review, shows significant improvement:

Score	Number of scores 2020/21	% of total	Number of scores 2022/23	% of total
4	175	77%	194	86%
3	41	18%	28	12%
2	8	4%	3	1%
n/a	2	1%	2	1%
Grand Total	226	100%	227	100%

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

- the need for improved legal case management software in the legal team where implementation was delayed due to LGR;
- 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 were important issues they were areas where arrangements were in place but needed to be improved or updated rather than total absence of control. Plans around succession planning and career structures for members were overwritten as a result of LGR. The action plan was reviewed by Corporate Management Team and Audit Committee.

Director / Statutory Officer Level review

Corporate Management Team considered and challenged performance, risk management and internal audit reports. They reviewed the Local Code of Governance in year. The Chief Finance Officer (Section 151 Officer) and Monitoring Officer also had input through their membership of the Corporate Management Team.

No other significant governance issues were identified.

Scrutiny Committee self-assessment

The Council operated with one Overview and Scrutiny Committee. The Overview and Scrutiny Committee could challenge a decision that had 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 had a remit which allowed them to assist the Council and the Cabinet in the development of its budget and policy framework. The Committee produced an annual report on its work. The Overview and Scrutiny Committee annual report for 2022/23 was reported to Council in March 2023 concluded that effective scrutiny had taken 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 2022/23 concluded that it had worked effectively, functioned in accordance with best practice (with the exception of appointing an Independent member of the Committee) and provided independent assurance of the Council's governance arrangements. The Committee reviewed a draft the AGS at their last meeting on 2 March 2023.

Standards Committee self-assessment

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

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

- Monitor the complaints procedure and ombudsman investigations

The Council 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 2022/23 was reported to Council in March 2023 and concluded that overall, ethical standards were sound.

Internal Audit annual opinion

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

The Internal Audit Annual Report contained 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 March 2023 received the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31st March 2023. Overall it concluded that internal audit work has been carried out in accordance with the mandatory standards for internal audit, the work of internal audit was 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 concluded reasonable assurance over the systems of governance, risk management and internal control.

Thirteen out of fourteen risk based audits have been completed in the year, all of which were finalised by March 2023. Of these, 6 have resulted in substantial assurance and 7 have resulted in reasonable assurance. There were no reviews which resulted in a limited or no assurance assessment. One report was cancelled (data integrity) due to LGR and staff availability and an additional report (payroll) was completed to enable officers to give additional assurance as part of the external audit process.

External Audit reports

The Audit Committee:

- received and approved the external auditor's Annual Audit Plan;
- commented 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
- received the Annual Findings Report and the annual Grant Certification Report and monitors actions against the recommendations within these reports. A Use of Resources judgement was 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 November 2022 on the Council's financial statements for 2021/22. More details can be found in the Audit Findings Report which was published and reported to the Audit Committee on 10 November 2022.

Four actions were recommended by the External Auditor as part of the 2020/21 accounts audit. Three of these recommendations were classified as significant in nature and one was relatively minor in nature. Two of the four were implemented during 2022/23, the other two were implemented as part of the 2022/23 accounts close-down process.

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 was 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 criterial:

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

Overall no significant weaknesses in arrangements were identified, no improvement recommendations were made and a positive direction of travel was reported. An additional report was undertaken to review arrangements and several instances of notable practices were identified that the auditors considered were strong arrangements at South Lakeland District Council which can form part of the new Westmorland and Furness Council's arrangements going forwards.

While the final opinion was issued in November 2022 and the VFM Annual auditors report was issued in March 2023, the Audit certificate which signifies the closure of the audit was not issued until March 2023 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 tools were not issued by the Government until February 2023 the auditors were 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 2022/23 to date.

The 2022/23 Audit Findings Report is expected to be presented to Audit Committee in mid-2023 alongside the Council's audited accounts.

Professional Standards

The Finance Lead Specialist, as the s151 officer, was accountable for the Council's systems and processes to ensure sound financial stewardship and that the Council delivered value for money in the services it provided. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code which is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. 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 March 2023 as part of the review of the Local Code of Governance. This self-assessment was carried out by the Council's S151 Officer to reflect progress up to the end of 2022/23.

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

6. Impact of Significant Events:

a. Covid-19

Some of the alternative arrangements setup in 2020/21 continued to be used in 2022/23 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. One such decision was taken during 2022/23, was published on the Council website and was 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 was urgent or that would be necessary or expedient, or which would otherwise protect the Council's interests, including key decisions. One such decisions was taken during 2022/23 and was published on the Council website with delegated executive decisions. All such decisions are reported to the next meeting of Cabinet.

- **Grants Schemes:** The Government had made a number of grant scheme available from March 2020 to support businesses and individual in South Lakeland and reconciliations of the payments were carried out during 2022/23. This government funding was earmarked for specific purposes: anything not spent will need to be repaid.

  Councils were encouraged to distribute the funding as quickly as possible within guidance around 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 provided a full audit trail for each application. A similar process was used for Covid-19 grants: an internal audit review in 2022 concluded that testing supported that the Council had properly managed and administered the various Covid-related business grant schemes in line with Government guidance; all events relevant to the determination of the grant claims should be summarised and captured within the software that was used to manage the claims; the risk of fraudulent applications was mitigated using appropriate measures, including site visits, data validation techniques and local knowledge and that, when requiring the applicant to self-certify eligibility, all eligibility criteria relevant to the grant should be requested of the applicant. The overall assessment was of reasonable assurance.

The budgets for 2022/23 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 as part of the financial update and budget process during 2022/23 which identified the contingency would not be required.

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 and hybrid working has continued through 2022/23 where appropriate for both the staff and customers.
- **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 2022/23 as large balances of grant were still being held with £9.5m repaid in February 2023.

b. Inflation and other financial pressures

The international economic crisis and significant inflation significantly impacted the Council.

Budgets and Inflation: In-year monitoring, reported in December 2022, had identified a projected year-end overspend of £907,000 due to increased costs pressures and reduced income projections. Officers carried out an intense and detailed review of all 2022/23 budgets to identify budget pressures and potential budget savings which had resulted in a number of mitigations aimed at reducing the budget deficit. These proposals were implemented and later budget monitoring projected a balanced outturn for 2022/23, largely due to increased interest receivable due to increased interest rates.

Grants Schemes: The Government made a number of grant scheme available during the year to support businesses and individual in South Lakeland. Emergency Delegated Executive Decisions and Emergency Non-Executive Decisions were used where necessary to authorise the acceptance of grants and schemes to be paid where there was no suitable Cabinet or Council meeting scheduled. This government funding was earmarked for specific purposes: anything not spent will need to be repaid. Good practice from the Covid-19 grants process was applied to these new grants.

7. Local Government Reorganisation

Under the Cumbria (Structural Changes) Order 2022 South Lakeland District Council was abolished on 31 March 2023 (along with Cumbria County Council, Barrow Borough Council and Eden District Council). Responsibility for all Local Government functions transferred 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 existed in parallel until 31 March 2023 when South Lakeland

District Council (and the current County and other Districts) were abolished and the Shadow Authority became Westmorland and Furness Council.

Despite the abolition of South Lakeland District Council on 31 March 2023, due to the continuation of its existing services, its statutory basis and its financial performance the Council was a going concern for 2022/23 and continued to deliver services in accordance with that mandate. Officers worked to ensure South Lakeland District Council continued to provide efficient and effective services until 31st March 2023 and also worked with officers from all other Cumbrian councils to ensure a smooth transition of services on 1st April 2023 to the new authorities.

The Council Plan and Performance Policy Framework was reviewed in February 2022 to set out how South Lakeland could ensure that the Community Priorities set out in the Council Plan were 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 were focused on critical areas of delivery which would be a strong legacy and provide firm foundations on which the new authority could build. It sought to ensure that the Westmorland and Furness Shadow Authority gave 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 2022/23 AGS process has not produced any significant governance issues. For this reason it was considered unnecessary to produce an action plan for an organisation that was no longer in existence and it is expected that the many areas of good governance will have been adopted by the new council.

9. Governance opinion

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

S Plum

Chief Executive
Westmorland and Furness Council (as successor to South Lakeland District Council)
12th February 2024

J Brook

Leader
Westmorland and Furness Council (as successor to South Lakeland District Council)
12th February 2024

Independent auditor's report to the members of Westmorland and Furness Council in respect 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 2023, 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 South Lakeland District Council ceased to exist on 31 March 2023. The assets and liabilities of the Authority transferred to the new Westmorland and Furness Council on 1 April 2023 and there was continuation of service delivery between the Authority and Westmorland and Furness Council.

Conclusions relating to going concern

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

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022) 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.

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

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. The Director of Resources is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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, 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 and the Director of Resources

As explained more fully in the Statement of Responsibilities set out on page 23 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 Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources 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 Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management 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 management, 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;

- journal entries that could be used to manipulate the Authority's financial performance;
- potential management bias in determining accounting estimates for the valuation of land and buildings, investment properties and the net pension liability; and
- improper recognition of fees and charges income due to the variable and unpredictable nature of this revenue stream.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals posted close to year end, material manual accrual journals posted at year end, journals posted by unauthorised users and journals posted by senior management;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and investment property valuations and the defined benefit pension fund net liability valuation;
- gaining an understanding of the Council's system of accounting for fees and charges income, the appropriateness of the associated accounting policy and evaluation of the design of associated controls;
- sample testing of fees and charges income to supporting evidence; 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue recognition, significant accounting estimates related to property, plant and equipment and Pension valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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
  - 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.

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

Report on other legal and regulatory requirements – 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 2023.

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.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of South Lakeland District Council for the year ended 31 March 2023 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 Westmorland and Furness Council, as a body, in respect of South Lakeland District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 members of Westmorland and Furness Council those matters we are required to state to them in an auditor's report in respect of South Lakeland District Council and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Westmorland and Furness Council and South Lakeland District Council and the members of both entities as bodies, for our audit work, for this report, or for the opinions we have formed.

Michael Green

Michael Green, Key Audit Partner

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

Manchester

12 February 2024