CARLISLE CITY COUNCIL

UNAUDITED

STATEMENT OF ACCOUNTS

2022/23

UNAUDITED STATEMENT OF ACCOUNTS

2022/23
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SECTION 1 – NARRATIVE REPORT

1.1 Introduction

The Council must prepare and publish its Statement of Accounts annually. Their purpose is to give electors, local taxpayers, Council Members, employees, and other interested parties clear information about the Council's finances. The accounts presented are of a single entity as the Council has no relationships that require it to prepare Group Accounts.

The aim is to provide information on:

- the cost of providing Council services in 2022/23;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts.

1.2 About the Council

(i) Local Government Reorganisation

On 21 July 2021, the Secretary of State for Housing, Communities and Local Government announced plans to replace the two-tier system of county and district councils operating in Cumbria with two unitary councils. These plans have seen the establishment of two unitary councils; Westmorland and Furness Council covering the existing areas of Barrow, Eden and South Lakeland and Cumberland Council covering the existing areas of Allerdale, Carlisle and Copeland. The creation of these unitary councils presents significant opportunities to reduce duplication, share good practice and innovation, and improve services for communities.

The Cumbria (Structural Changes) Order 2022, came into force on 18 March 2022 and provided the legal foundations for the establishment of a single tier of local government in Cumbria. This included provisions for appropriate transitional arrangements, including electoral matters and the establishment of the new authorities in shadow form in May 2022, and for the unitary councils to assume the full range of local authority responsibilities on 1 April 2023 (the reorganisation date).

Throughout 2022/23 preparation for local government reorganisation has seen a focus on the implementation of a transition plan to deliver "safe and legal" unitary authorities on 1 April 2023 whilst at the same time ensuring continuity of existing services to residents and businesses.

On the reorganisation date (1 April 2023) Carlisle City Council was wound up and dissolved and its functions along with all property, rights, liabilities and financial reserves, vested in and transferred to Cumberland Council.

(ii) Services

Prior to local government reorganisation and the Council's dissolution on 1 April 2023, the Council was responsible for delivering a wide range of services, either directly or through use of external contractors and partner organisations from the public, private and third sectors. Services to the public were supported by a range of back-office and support functions including Finance, Property Services, Legal, IT and Human Resources.

Key services provided by the Council are summarised in the following table:

Directorate	Service/Support function
Community Services	• Arts & Leisure Contracts • Bereavement Services • Car Parking • City Centre Management • Carlisle Partnership • Community Centres • Community Safety • Corporate Communications • Emergency Planning • Events • Green Spaces • Marketing • Old Fire Station • Overview and Scrutiny • Policy & Performance • Refuse & Recycling • Sports Development • Street Cleaning • Third Sector Grants • Tourism • Health & Wellbeing • HR, Payroll and Personnel • Organisational Development
Economic Development	• Building Control • Business Support • Conservation and Heritage • Development Control • Economic and Border Partnerships • Economic Development • Enterprise Zone • Planning Enforcement • Regeneration and Projects • Rural Policy and Support • Section 106 / Community Infrastructure Levy • Strategic and Housing Planning Policy
Corporate Support	• Customer Services • Digital and Information Services • Risk Management • PA Support Team
Finance and Resources	• Accountancy • Audit • Creditors • Debtors • Finance • Revenue and Benefits • Insurance • Section 151 • Procurement
Governance and Regulatory Services	• City Engineers • Democratic Services • Electoral Services

Directorate	Service/Support function
	• Environmental Health • Enterprise Centre • Health & Safety • Homelessness & Homelessness Accommodation • Investment & Operational Property • Land Charges • Legal Services • Licensing • Mayoral Support • Member Services • Monitoring Officer • Private Sector Housing • Strategic Property • Welfare Advice Service
Corporate Management	• Direct Revenue Financing • Non-Distributed Costs (Pensions) • Corporate Management • Other Financial Costs • Asset Management Costs (Depreciation)

(iii) Operational Model

The Council received most of its funding from taxation - Council Tax (£8.663million) levied on residents and Business Rates (£4.553million) levied on businesses. It also received funding from Central Government in the form of grants such as New Homes Bonus, Housing Benefit Administration Grant, and Covid-19 support.

In addition to these funding streams, the Council also relied heavily on income from fees and charges and rental income from its significant asset portfolio. These provided a valuable source of funding that could be used to supplement the service delivery for the residents of Carlisle.

The Council delivered a range of services as outlined above with the majority being provided by internal staffing resources. The key services delivered by the Council included waste collection, street cleaning, bereavement services, green spaces, homelessness and private sector housing support, regulatory services such as environmental health, planning and building control. Leisure and Cultural provision was provided with support from external organisations primarily Greenwich Leisure Ltd, and Tullie House Trust.

(iv) Workforce

As at 31 March 2023 the Council employed 498 employees. This was split 278 females and 220 males. There were 324 full time employees with 174 part-time/job-share.

As at 31 March 2022 the Council employed 465 employees. This was split 251 females and 214 males. There were 307 full time employees with 158 part-time/job-share.

(v) Governance Arrangements

A summary of the key elements of the systems and processes that comprised the Council's governance arrangements, is set out in the Annual Governance Statement that accompanies the Statement of Accounts (section 7).

The Annual Governance Statement provides a summary of the arrangements established by the Council to ensure legislative requirements, governance principles and management processes are within the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

1.3 Council Priorities

The Council's vision was proposed by the Executive as part of the Carlisle Plan ("the Plan") which was debated and agreed by full Council. This vision was then communicated through the Carlisle Plan itself, which was a working document for staff and members. An annual report communicated the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Scrutiny Panels. The Carlisle Plan was updated in 2021/22 to better reflect the Executive's current priorities and the plan for 2021-2023 was adopted by full Council in September 2021.

The Carlisle Plan outlined the key priorities for the Council. These key priorities were:

- **Economic Growth**
    - We continued to prioritise the current response to and rapid recovery from the economic impacts of the Covid-19 pandemic on the local economy.
    - Key Economic Growth Programmes and Projects:
        - Delivering the Borderlands Inclusive Growth Deal
        - Delivering St Cuthbert's Garden Village
        - Delivering the Future High St Fund, Towns Fund, Town Deal Accelerated Fund and related regeneration Projects
        - Building on success through new economic opportunities
- **Health and Wellbeing**
    - We continued to prioritise the current response to and rapid recovery from the health and wellbeing impacts of Covid-19 pandemic
    - Key Health and Wellbeing Programmes and Projects:
        - Delivering the Phase VII World Health Organisation Healthy City Plan
        - Delivering the Sands Centre Redevelopment project
        - Support the delivery of partnership plans
        - Delivering the Homelessness Prevention and Rough Sleepers Strategy
        - Delivering the private sector housing standards to include a range of grants, advice, support and regulation
        - Delivering the Local Environment (Climate Change) Strategy
        - Delivering the Green Spaces Strategy and supporting the delivery of the Local Cycling and Walking Infrastructure Plan (CWIP)
        - Developing the new Cumbria Waste Strategy
        - Supporting the delivery of the Carlisle Cultural Network.

The Council monitored its non-financial performance through 10 'Service Standards'. These provided a standard in service that our customers could expect from the Council and a standard by which the Council could be held to account. The measures of the standard of services were based on timeliness, accuracy, and quality of the service the Council provided in areas that had a high impact on our customers.

The Council operated with the following core principles that underpinned the Carlisle Plan:

- We will be a clear, committed, and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses, and visitors. Our plans to respond to these needs are clear and straightforward. We know what is expected of us and do our best to create clarity in how we work.
- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.
- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

Further information on the Council's priorities and achievement of key objectives is given in the Annual Governance Statement.

1.4 Non-Financial Performance

The year-end position of the Council's Service Standards is shown below:

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
Percentage of household planning applications processed within eight weeks	96%	80%	82%
Proportion of waste or recycling collections missed (per 100,000)	16	40	17
Percentage of household waste sent for recycling (including bring sites)	54%	-	41%
Proportion of new waste and recycling bins, bags and containers delivered on time (w/in 10 working days)	87%	95%	82%
Average number of days to process new benefits claims (target: w/in 19 working days)	21	19	17
Average number of working days to process benefit claimants' changes of personal details (target: w/in 8 days)	2	8	4
Proportion of Corporate Complaints dealt with on time (w/in 15 working days)	96%	100%	95%
Proportion of food businesses that are broadly compliant or better with food safety legislation	98%	96%	99%
Proportion of non-contentious licence applications completed on time (w/in 10 working days)	100%	100%	100%

1.5 Key Risks, Uncertainties and Opportunities

(i) Key Risks

The Council maintained a Corporate Risk Register which was reported to members on a quarterly basis. The key risks included in the Corporate Risk Register included the risk that:

- the Government fails to communicate changes to future local government funding in a timely manner, meaning that the Council cannot effectively prepare for these changes
- the Council fails to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions
- the Council fails to effectively prioritise and resource key city regeneration sites and miss the opportunity to take this forward in a progressive manner that meets the Council's aspirations
- the Council will not fulfil its obligations as set out in the Carlisle Southern Link Road (CSLR) Grant Determination Agreement with Homes England and that subsequently the funding will be withdrawn
- the Council fails to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium-Term Financial Plan
- critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services
- digitally held data becomes unavailable, unreliable or is stolen due to error, negligence, or malice.

These risks were regularly monitored, updated and reported to ensure they are mitigated and managed as far as possible.

(ii) Key Opportunities

The Council continued to be an integral part of the Borderlands partnership with four other local authorities across the Borders region. The UK and Scottish Governments announced an initial funding deal worth £345million. Progress continues to be made on the delivery of the projects allocated to the Carlisle area.

The Council has been allocated a share (£9.1m) of the Future High Streets fund as well as an allocation of £19.7m of Town Deal Funding and £0.518m for Shared Prosperity Funding in 2022/23 with a further indicative allocation of £3.6m for future years. These schemes are progressing with detailed business cases being created and submitted to government for final sign off before delivery can proceed.

The new leisure facilities became operational in the autumn of 2022 delivering a state-of-the-art leisure complex for the City that combines NHS physiotherapy on site with enhanced health and wellbeing facilities that will provide service improvement opportunities into the future.

1.6 2022/23 Budget and Medium-Term Financial Plan

The 2022/23 revenue budget was set within the context of the Council's Medium-Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key financial principles:

- Revenue Budget Strategy
- Commercial and Income Generation
- Council Tax and Business Rates Policy
- Capital Investment
- Treasury Management.

The MTFP for 2022/23 highlighted that the key risks to the Council financially in the future were the uncertainties around the future design of a Business Rate Retention scheme and the Fair Funding Review. However, given these uncertainties, the budget for 2022/23, which was set in February 2022, showed that the Council still had to make £2.050million of savings, and overall general fund reserves would show a small decrease over the period 2022/23 to 2026/27, but would still be above minimum risk assessed levels. Future levels of minimum reserves will be the responsibility of the new Cumberland Council.

Revenue expenditure generally relates to resources which are used within a year and which are paid for from council tax, business rates, government grants, fees and charges for services and other income received by the Council.

During 2022/23 the Council continued to recognise that it would be required to make savings through its programme of transformational change considering reducing funding levels. Where possible these savings were being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system would affect the Council financially in the longer term.

1.7 2022/23 Budget and Medium-Term Financial Plan

Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council's revised budget with its outturn performance (actual net expenditure) for 2022/23.

	Budget £000	Provisional Outturn £000	Variance £000
Community Services	13,975	14,120	145
Corporate Support	439	377	(62)
Economic Development	2,965	2,437	(528)
Finance and Resources	1,508	1,956	448
Governance and Regulatory Services	3,996	3,240	(756)
Corporate Management	(3,635)	(3,500)	135
Exceptional Items	401	332	(69)
Service Expenditure	**19,649**	**18,962**	**(687)**
Parish Precepts	731	731	0
Total	**20,380**	**19,693**	**(687)**
Transfers to/(from) Reserves			
General Fund Reserve	(1,802)	(1,595)	207
Building Control Reserve	(20)	(65)	(45)
Revenue Grants Reserve	(921)	(901)	20
Planning Services Reserve	(1)	(1)	0
Cremator Reserve	88	87	(1)
Operational Risk Reserve	(777)	(777)	0
Council Tax Income Guarantee Reserve	(23)	(23)	0
Business Rate s.31 Grant Reserve	(3,155)	(3,155)	0
Caldew Riverside Reserve	100	100	0
Carry Forward Reserve	(58)	1,035	1,093
Leisure Reserve	(400)	(400)	0
Tullie House Reserve	(800)	(800)	0
Talkin Tarn Reserve	0	3	3
Lanes Reseve	0	15	15
Total Transfer to/(from) Reserves	**(7,769)**	**(6,477)**	**1,292**
Financed by:			
Council Tax	(8,640)	(8,663)	(23)
Business Rates	(3,971)	(4,553)	(582)
Total Financing (Council Tax & Business Rates)	**(12,611)**	**(13,216)**	**(605)**
Total	**(20,380)**	**(19,693)**	**687**

The revised service expenditure budget of £19.649million comprises:

2022/23 Revenue Budget	**£000**
Approved Budget (Council Resolution - February 2022)	14,919
Carry Forward requests (2021/22 Outturn)	1,968
Supplementary Estimate	750
Budget 2022/23 as at March 2023	**17,637**
Non-Recurring Expenditure	
Use of Building Control Reserve	20
Use of Tullie House Reserve	800
Use of Carry Forward Reserve	58
Use of Revenue Grants Reserve	921
Use of Planning Services Reserve	1
Use of Leisure Reserve	400
Transfer to Cremator Reserve	(88)
Transfer to Caldew Riverside Reserve	(100)
Revised Budget 2022/23	**19,649**

After accounting for transfers to/from earmarked reserves of £6.477million the Council was under-spent by £0.687million against the 2022/23 revised budget. This resulted in a lower use of general fund reserves in 2022/23 than expected. However, £0.843million has been identified for carrying forward into future years and £0.245million has been placed into earmarked reserves and provisions to meet known commitments.

At 31 March 2023 the Council had total usable reserves of £10.442million (£16.896million at 31 March 2022). This includes earmarked reserves of £4.069million (£9.986million at 31 March 2022) and general reserves of £6.240million (£6.800million at 31 March 2022). Further details of these reserves can be found at note 4.25.

The Council also had other unusable reserves totalling £161.325million at 31 March 2023 (£132.988million at 31 March 2022). These reserves do not represent usable resources for the Council. Unusable reserves include:

- those reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve) and
- reserves used in connection with application of the statutory accounting adjustments included in line ‘adjustments between accounting basis and funding basis under regulations’. This includes reserves such as the Capital Adjustment Account & Pension Reserve.

Further details of these reserves can be found at note 4.26.

All reserves transferred to Cumberland Council on 1 April 2023.

The table below sets out how the Council’s earmarked and general fund revenue reserves levels compares at 31 March 2023 to those that were forecast when it set its revenue budget in February 2022.

	Forecast 31/03/2023 £000	Outturn 31/03/2023 £000
General Reserves		
General Fund (including Projects Reserve)	(3,630)	(4,337)
Carry Forward Reserve	(628)	(1,903)
	(4,258)	**(6,240)**
Earmarked Reserves		
Building Control Reserve	(24)	3
Cremator Reserve	13	(1,373)
City Centre Reserve	(5)	(5)
Flood Reserve	(4)	(4)
Lanes Reserve	(120)	(120)
Planning Services Reserve	(225)	(263)
Prosecutions Fund Reserve	(35)	(49)
Revenue Grants Reserve	(1,761)	(1,683)
Apprentice Reserve	(96)	(96)
Waverley Viaduct Reserve	(30)	(30)
Operational Risk Reserve	(323)	(323)
Council Tax Income Guarantee Reserve	0	(23)
Caldew Riverside Reserve	0	(100)
Talkin Tarn Reserve	0	(3)
	(2,610)	**(4,069)**
Total Usable Reserves	**(6,868)**	**(10,309)**

Budget reports, including the outturn position summarised above, are prepared on a statutory basis (also referred to as the funding basis) reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts, are summarised in the Expenditure and Funding Analysis (see notes 4.6 & 4.7 to the financial statements).

1.8 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of non-current assets. This spending is usually paid for from borrowing, capital receipts from the sale of assets, grants and contributions and direct financing from revenue. Capital expenditure also includes items such as renovation grants, disabled facilities grants and other grants towards capital expenditure incurred by third parties.

(i) Capital Expenditure

The Council's revised capital programme for 2022/23 was approved at £44.807million. Overall capital spending for 2022/23, totalled £16.783million. This resulted in an underspend of £28.024million of which £27.717million has been reprofiled to future years in respect of capital projects still in progress. The overall programme and financing can be summarised as follows:

	Budget £000	Provisional Outturn £000	Outturn Variance £000	Budget C/Fwd £000	Variance £000
Revenue Expenditure funded from Capital Under Statute					
Disabled Facilities Grants	3,615	2,523	(1,092)	1,092	0
Future High Street Projects	2,780	508	(2,272)	2,272	0
Sustainable Warmth Project	19,248	4,182	(15,066)	15,032	(34)
Town Deal Projects	1,316	260	(1,056)	1,056	0
Other Schemes	775	101	(674)	674	0
	27,734	**7,574**	**(20,160)**	**20,126**	**(34)**
Capital Investment on Assets					
Industrial Estates	300	99	(201)	0	(201)
Equipment, Vehicles and Plant	2,074	1,313	(761)	761	0
Enhancements to Council Property	463	243	(220)	140	(80)
Leisure Facilities Redevelopment	8,441	6,262	(2,179)	2,179	0
Town Deal Projects	945	397	(548)	548	0
Play Areas & Other Open Spaces	696	673	(23)	20	(3)
Other Schemes	4,154	222	(3,932)	3,943	11
	17,073	**9,209**	**(7,864)**	**7,591**	**(273)**
Total Capital Expenditure	**44,807**	**16,783**	**(28,024)**	**27,717**	**(307)**
Financing of Capital Expenditure					
Capital Receipts	173	254	81	0	81
Capital Grants & Contributions	28,684	8,159	(20,525)	20,324	(201)
Direct Revenue Financing	2,450	1,057	(1,393)	1,393	0
Unfinanced Capital Expenditure	13,500	7,313	(6,187)	6,000	(187)
Total Financing	**44,807**	**16,783**	**(28,024)**	**27,717**	**(307)**

1.9 Financial Position at the Balance Sheet Date

The following table summarises the Council's financial position at 31 March 2023:

	31-Mar-23 £000	31-Mar-22 £000	Year on Year change £000
Non-current assets	208,895	215,510	(6,615)
Net current assets: debtors, stock & cash less short-term creditors & liabilities	(21,488)	(9,493)	(11,995)
Long-term liabilities & provisions	(15,640)	(56,133)	40,493
Net Assets	**171,767**	**149,884**	**21,883**
Represented by:			
Revenue reserves (General Fund & Earmarked)	10,309	16,786	(6,477)
Other useable reserves (capital)	133	110	23
Unusable reserves	161,325	132,988	28,337
Total Reserves	**171,767**	**149,884**	**21,883**

Significant balance sheet movements during 2022/23 include:

Non-current assets

- £4.482million reduction in Property Plant and Equipment comprising additions of £9.022million, less depreciation of £3.787million, disposals of £7.835million and a net revaluation reduction of £1.882million
- £2.304million reduction in investment properties underpinned by the impact of a downward revaluation adjustment of £2.292million

Non- current assets

- reduction in short-term investment and cash and cash equivalent balances of £11.988million and £14.111million respectively
- reduction in short-term creditors and receipts in advance of £5.225million and £8.577million underpinned by a reduction of £10.529million in relation to balances associated with Covid-19 and Council tax rebate funding following the repayment and utilisation of funding, and a reduction of £2.373million in connection with the Covid-19 Additional Relief Fund (CARF)
- decrease in capital grants received in advance balances of £2.070million

Long-term liabilities

- a decrease in the net defined benefit pension liability of £40.026million (see commentary below)

Unusable Reserves

- £40.026million reduction in the pension reserve balance mirroring the movement in the net defined benefit pension liability
- £6.521million reduction in the Capital Adjustment Account balance
- £2.124million movement on the Collection Fund Adjustment Account balance
- £6.700million reduction in the Revaluation Reserve balance underpinned by the transfer of revaluation gains of £7.070million relating to assets scrapped or sold to the Capital Adjustment Account

(i) Revaluation of Assets

A revaluation of all Property assets was undertaken as at 31 March 2023. Included in the Comprehensive Income and Expenditure Statement within Services are net downward revaluations totalling £2.369million in relation to Property, Plant and Equipment (£2.350million) and Heritage assets (£19k).

Investment properties have also been revalued in line with the Code and this has seen a net decrease in value of £2.292million.

(ii) Defined Benefit Pensions Asset/Liability

The Council offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.

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 IAS 19 and the Code of Practice on Local Authority Accounting) by £20.483million (i.e. a net pension asset). This compares with a net pension liability at 31 March 2022 of £41.753million. The net pension asset comprises a net asset of £22.210million in respect of funded liabilities (asset) and unfunded liabilities of £1.727million.

Under the Code of Practice and IAS 19, 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. For funded liabilities at 31 March 2023, the estimated present value of minimum funding contributions exceed the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling for funded liabilities 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.

(iii) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. At 31 March the Council's external borrowing stood at £12.369million of (inclusive of accrued interest). This included PWLB debt of £12.355million (including accrued interest). No further borrowing was undertaken during 2022/23.

(iv) Reserves & Balances

At 31 March 2023 the Council had total usable revenue reserves of £10.442million (£16.896million at 31 March 2022). This includes earmarked reserves of £4.069million (£9.986million at 31 March 2022) and general reserves of £6.240million (£6.800million at 31 March 2022). The Council also had other unusable reserves totalling £161.325million at 31 March 2023 (£132.988million at 31 March 2022).

1.10 Cash Flows

During 2022/23 the net change in cash and cash equivalents was £14.111million.

1.11 The Financial Statements

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The Statement of Responsibilities for the Statement of Accounts sets out the responsibilities of the Authority and Authority's Chief Financial Officer in relation to the Statement of Accounts.

Financial Statements

The Financial Statements, set out in sections 3 to 6, consists of:

- Single entity (Authority only) financial statements comprising:
  - (i) Comprehensive Income and Expenditure Statement for the period
  - (ii) Movement in Reserves Statement for the period
  - (iii) Balance Sheet as at the end of the period
  - (iv) Cash Flow Statement for the period
  - (v) Notes, comprising significant accounting policies and other explanatory information (section 4)
  - (vi) Accounting policies (section 6)
- Collection Fund and related notes (section 5)

The Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.12) and the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2022/23 and is reported in the management reporting segments used by the Council.

The Movement in Reserves Statement

This Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Statement shows how the movement in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

The Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement 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 arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Collection Fund

This shows the total income received by the Council from council tax and business rates and how this has been distributed to all precepting organisations it is collected for, including the Council.

SECTION 2 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 The Responsibilities of the Council

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (S.151 Officer)
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

2.2 The Responsibilities of the Chief Finance Officer (S.151 Officer)

The Chief Finance Officer (S.151 Officer) is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance Accountants)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer (S.151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Chief Finance Officer (S.151 Officer) has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

2.3 Status of the Statement of Accounts

The Statement of Accounts accompanying this statement is currently unaudited and therefore may be subject to change.

2.4 Certification by the Chief Financial Officer

I certify that the Statement of Accounts presents 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.

Catherine Bell FCCA
Chief Finance Officer (S.151 Officer)

Dated: 30 April 2024

SECTION 3 – FINANCIAL STATEMENTS

3.1 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22					2022/23		
Expenditure £000	Income £000	Net £000		Note	Expenditure £000	Income £000	Net £000
15,169	(5,850)	9,319	Community Services		23,556	(5,933)	17,623
4,090	(2,441)	1,649	Economic Development		5,170	(2,367)	2,803
204	(204)	0	Corporate Support		182	(182)	0
23,660	(20,669)	2,991	Finance and Resources		22,878	(20,063)	2,815
10,433	(4,910)	5,523	Governance & Regulatory Services		15,737	(9,337)	6,400
600	(32)	568	Corporate Management		1,138	(30)	1,108
3,589	(1,973)	1,616	Exceptional Items (Local Government Reorganisation, Covid-19)	4.11	1,144	(612)	532
57,745	**(36,079)**	**21,666**	**Cost of Services**		**69,805**	**(38,524)**	**31,281**
		959	Other Operating Expenditure	4.12			8,306
		(4,114)	Financing and Investment Income and Expenditure	4.13			1,731
		(18,883)	Taxation and Non-Specific Grant Income	4.16			(18,278)
		(372)	**(Surplus) or Deficit on Provision of Services**				**23,040**
		(6,943)	(Surplus) or Deficit on Revaluation of Non Current Assets				(1,286)
		(14,223)	Remeasurements of the Net Defined Benefit Liability / (Asset)	4.44			(43,637)
		(21,166)	**Other Comprehensive Income & Expenditure**				**(44,923)**
		(21,538)	**Total Comprehensive Income & Expenditure**				**(21,883)**

3.2 Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Movement in Reserves Statement shows how the movements in the Council’s reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease in Year line shows the statutory General Fund Balance movement in the year after making those adjustments.

2022/23	Note	General Fund Balances[1] £000	General Fund Balance - Collection Fund S.31 Grant £000	Total General Fund Balance £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2022		**13,631**	**3,155**	**16,786**	**20**	**90**	**16,896**	**132,988**	**149,884**
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure		(23,040)	0	(23,040)	0	0	(23,040)	44,923	21,883
Adjustments between accounting basis and funding basis under regulations	4.24	19,718	(3,155)	16,563	0	23	16,586	(16,586)	**0**
Net Increase/(Decrease) in Year		**(3,322)**	**(3,155)**	**(6,477)**	**0**	**23**	**(6,454)**	**28,337**	**21,883**
Balance at 31 March 2023		**10,309**	**0**	**10,309**	**20**	**113**	**10,442**	**161,325**	**171,767**

[1] The general fund balance at 31 March 2023 comprises earmarked balances of £4,069k (31 March 2022: £9,986k) and un-earmarked general fund balance of £6,240k (31 March 2022: £6,800).

2021/22	Note	General Fund Balances[1] £000	General Fund Balance - Collection Fund S.31 Grant £000	Total General Fund Balance £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021		**12,942**	**9,463**	**22,405**	**20**	**126**	**22,551**	**105,795**	**128,346**
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure		372	0	372	0	0	372	21,166	21,538
Adjustments between accounting basis and funding basis under regulations	4.24	317	(6,308)	(5,991)	0	(36)	(6,027)	6,027	**0**
Net Increase/(Decrease) in Year		**689**	**(6,308)**	**(5,619)**	**0**	**(36)**	**(5,655)**	**27,193**	**21,538**
Balance at 31 March 2022		**13,631**	**3,155**	**16,786**	**20**	**90**	**16,896**	**132,988**	**149,884**

[1] The general fund balance at 31 March 2022 comprises earmarked balances of £9,986k (31 March 2021: £16,969k) and un-earmarked general fund balance of £6,800k (31 March 2021: of £5,436).

3.3 Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves covers those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations"

31 March 2022 Restated[1]			Note	31 March 2023	
£000	£000			£000	£000
	89,571	Property, Plant and Equipment	4.27		85,089
	97,773	Investment Property	4.30		95,469
	41	Intangible Assets			33
	24,138	Heritage Assets	4.31		24,956
	3,867	Long Term Investments	4.36		3,229
		Long Term Debtors			
	97	Transferred Debt - Cumbria CC			0
	2	Other Long Term Debtors			6
	21	Long Term Payments in Advance			113
	215,510	**Total Long Term Assets**			**208,895**
		Current Assets			
	12,007	Short Term Investments	4.36		19
	17,277	Cash and Cash Equivalents	4.39		3,166
	95	Inventories			104
10,233		Short Term Debtors	4.37	8,094	
703		Payments in Advance		911	
	10,936	Total Short-Term Debtors			9,005
	40,315	**Total Current Assets**			**12,294**
		Current Liabilities			
(61)		Provisions	4.43	(96)	
(767)		Provisions - NNDR Appeals	4.43	(578)	
	(828)	Total Provisions			(674)
	(506)	Short Term Borrowing	4.42		(506)
(14,536)		Short Term Creditors	4.40	(9,311)	
(11,311)		Receipts in Advance	4.41	(2,734)	
	(25,847)	Total Short-Term Creditors			(12,045)
	(22,627)	Capital Grants Receipts in Advance	4.41		(20,557)
	(49,808)	**Total Current Liabilities**			**(33,782)**

31 March 2022 - Restated[1] £000	31 March 2022 - Restated[1] £000	Balance Sheet (Cont.)	Note	31 March 2023 £000	31 March 2023 £000
		Long Term Liabilities			
	(1,572)	Long Term Creditors & Receipts in Advance	4.41		(1,592)
	(12,338)	Long Term Borrowing	4.42		(11,863)
	(470)	Provisions	4.43		(458)
	(41,753)	Other Long Term Liabilities (Pensions)	4.44		(1,727)
	(56,133)	**Total Long Term Liabilities**			**(15,640)**
	149,884	**Net Assets**			**171,767**
		Usable Reserves	4.25		
20		Deferred Credits		20	
6,800		General Fund Reserves		6,240	
3,155		Business Rates S.31 Grant Reserve		0	
6,831		Earmarked Reserves		4,069	
90		Capital Grants Unapplied Account		113	
	16,896	**Total Usable Reserves**			10,442
		Unusable reserves	4.26		
(41,753)		Pension Reserve		(1,727)	
1,030		Pooled Investment Fund Adjustment Account		392	
(239)		Accumulated Absences Account		(193)	
128,426		Capital Adjustment Account		121,905	
(3,513)		Collection Fund Adjustment Account		(1,389)	
49,037		Revaluation Reserve		42,337	
	132,988	**Total Unusable Reserves**			161,325
	149,884	**Total Reserves**			**171,767**

[1]Comparative amounts have been restated to reclassify as creditors (£4.398m) and receipts in advance (£0.206m) balances totalling £4.192m previously included in the short-term debtors line item.

3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement 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 arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2021/22 Restated[1] £000		Note	2022/23 £000
(372)	**Net (surplus) or deficit on the provision of services**		23,040
278	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.47	(15,994)
1,949	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.47	1,216
1,855	**Net cash flows (inflows)/outflows from Operating Activities**		**8,262**
3,053	Investing Activities	4.48	(3,338)
(15,383)	Financing Activities	4.48	9,187
(10,475)	**Net (increase) or decrease in cash and cash equivalents**		**14,111**
6,802	Cash and cash equivalents at the beginning of the reporting period	4.39	17,277
17,277	Cash and cash equivalents at the end of the reporting period	4.39	**3,166**

[1] Comparative amounts have been restated to reclassify from Operating Activities to Financing Activities, cash flows of £6.566m relating to the administration of Covid-19 grants, Council Tax rebates and Energy Support Funding for which the Authority acted as agent for the relevant central government department, and £7.453m in respect of the balance of cash due to/from major preceptors in respect of NNDR (business rates).

SECTION 4 – NOTES TO THE ACCOUNTS

4. Accounting Policies

4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The Accounts and Audit (England) Regulations 2015 (as amended) require the Council to prepare for each financial year, a statement of accounts in accordance with proper practices. Under section 21(2) of the Local Government Act 2003, these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Significant accounting policies adopted in the preparation of the Council's single entity (Authority only) financial statements are set out in section 6. The policies disclosed have been consistently applied to all the years presented, unless otherwise stated.

Under the provisions of the Cumbria (Structural Changes) Order 2022, Carlisle City Council was abolished on 1 April 2023. On that date all existing functions of the Council along with all property, rights, liabilities and financial reserves, vested in and transferred to Cumberland Council. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not however negate the presumption of going concern. Therefore, in accordance with the Code, the 2022/23 Statement of Accounts have been prepared on a going concern basis.

4.2 Changes to Accounting Policies and Prior Period Adjustments

New or amended accounting standards adopted in 2022/23

The 2022/23 Code of Practice on Local Authority Accounting (the Code) adopts the requirements of the following new or amended standards, effective for the first time to annual periods beginning on or after 1 April 2022:

Narrow Scope Amendments to IFRS:

- Annual Improvements to IFRS 2018-2020 - Minor amendments to IFRS 1, IFRS 9 and IAS 41. Amendment to Illustrative Examples accompanying IFRS 16.
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- Amendment to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract

Information on these new or amended standards and their impact on the Council's financial statements is set out below.

Annual Improvements to IFRS 2018 - 2020

The Annual Improvements to IFRS 2018 - 2020 include amendments to four standards:

IFRS 1 - First-time adoption

The amendment to IFRS 1 provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.

As a result of the amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) can now also elect to measure (in its own financial statements) cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendment is effective for annual periods beginning on or after 1 April 2022.

Application of this amendment has not impacted on amounts previously recognised in the Council's financial statements.

IFRS 9 - Financial Instruments

The amendment to IFRS 9 clarifies the fees that an authority includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (thereby requiring derecognition of the existing financial liability and recognition of a new financial liability). In determining those fees paid net of fees received, a borrower includes only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual periods beginning on or after 1 April 2022 and applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the authority first applies the amendment.

Application of this amendment has not impacted on amounts previously recognised in the Council's financial statements.

IFRS 16 – Leases - Amendment to Illustrative Examples accompanying IFRS 16

The amendment to Illustrative Example 13 accompanying IFRS 16 removes, from the example, the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 - Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41 using a present value technique. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment applies prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 April 2022.

Application of the amendment to IAS 41 has not impacted on the Council's financial statements.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

IAS 16 - Property, Plant and Equipment (PPE) and the Code requires an item of Property, Plant and Equipment to be initially measured at cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Prior to the amendments, directly attributable costs included costs of testing the asset 'after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition'.

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead the sales proceeds and related costs will be recognised in surplus or deficit on the provision of services. The proceeds and costs of those items should be recognised in accordance with IFRS 15 - Revenue from Contracts with Customers and IAS 2 - Inventories respectively.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the Comprehensive Income and Expenditure Statement, the amendments require an authority to disclose the amounts of proceeds and cost included in surplus or deficit on the provision of services that relate to items produced that are not an output of the authority's ordinary activities, and which line item(s) in the Comprehensive Income and Expenditure Statement include(s) such proceeds and cost.

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the authority first applies the amendments.

The authority is required to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of reserves at the beginning of that earliest period presented.

Application of these amendments has not impacted on amounts previously recognised in the Council's financial statements.

Amendment to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

IAS 37 (as adapted by the Code) defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits (or service potential) expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after 1 April 2022 and apply to contracts for which the Authority has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Comparatives are not restated. Instead, the Authority is required to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of reserves at the date of initial application.

Application of these amendments has not impacted on amounts previously recognised in the Council's financial statements.

4.3 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking 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 is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Based on remaining asset lives, it is estimated that the annual depreciation charge for operational assets will increase by £388,000 per year if the useful lives of individual assets were to be reduced by one year. However, statutory accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Investment Property – Fair Value Measurement	The Council uses an income approach or a market approach to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement of investment property using the income approach, include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.
Operational Land and Buildings - Current value measurements	With the exception of specialised assets, the Council uses an income approach or a market approach to measure the current value of its operational land and buildings. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. The significant unobservable inputs used in the current value measurement of operational land and buildings using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings.

Item	Uncertainties	Effect if actual results differ from assumptions
	Significant unobservable inputs used in the current value measurement of property using the cost (DRC) approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.	
Pensions Liability/Asset (£20.483m net asset at 31.3.2023 excluding the asset ceiling adjustment)	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 the Council with expert advice about the assumptions to be applied.	A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 4.44. During 2022/23, the Council's actuary advised that the net pension liability decreased by £62.236m (2021-22: £10.779m). Moving from a net liability of £41.753m to a net asset of £20.483m (excluding the asset ceiling adjustment). This movement included: • a decrease of £78.892m (2021-22 £1.129m decrease) as a result of experience gains/losses and re-measurements associated with changes in financial and demographic assumptions • an increase of £13.045mm (2021-22: £13.094m decrease) arising from re-measurement gains on plan assets
Business Rate Appeals Provision)	The Business Rate appeals provision (£578k) is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2023. Appeals are dealt with by the Valuation Office Agency and as such are outside of the control of the Council.	The amounts recognised in the financial statements are based on the best estimate of the expenditure required to settle the obligation. Any subsequent increase or decrease in the amounts required to settle these obligations over the amounts provided for in the financial statements would lead to a corresponding decrease or increase in the General Fund balance or - for changes to the provision for business rates appeals not yet distributed in accordance with statutory provisions - the Collection Fund Adjustment Account balance.
Fair value measurements – Financial Assets/Liabilities	Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), valuation techniques including use of discounted cash flow (DCF) models are used to measure fair value. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.	Significant changes in assumptions and unobservable inputs used would result in a significantly lower or higher fair value measurement of financial assets/liabilities.

4.4 Impact of New Accounting Standards not yet Adopted

Changes to the 2023/24 Code of Practice on Local Authority Accounting

The 2023/24 Code of Practice on Local Authority Accounting – applicable to financial years commencing on or after 1 April 2023 – includes the following changes to accounting standards and interpretations that have been issued but not yet adopted.

Narrow Scope Amendments to IFRS:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 - Reference to the Conceptual Framework.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 - Making Materiality Judgements.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material.

Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that:

- accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and does not need to be disclosed.
- if an entity discloses immaterial accounting policy information, such information must not obscure material accounting policy information.

To support the amendments to IAS1, the IASB also amended IFRS Practice Statement 2 - Making Materiality Judgements to provide non mandatory guidance on the application of the definition of materiality to accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 and are applied prospectively. As the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued Definition of Accounting Estimates, Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

Measurement uncertainty will arise when monetary amounts required to apply an accounting policy cannot be observed directly. In such cases, accounting estimates will need to be developed using judgements and assumptions.

The amendments also clarify:

- the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors
- how entities use measurement techniques and inputs to develop accounting estimates.

A change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period (i.e. the accounting period in which the amendments are first adopted). Application of these amendments are not expected to have a material impact on the Council’s financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued Deferred Tax relating to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12 Income Taxes on 7 May 2021.

Under IAS 12 an entity is exempt from recognising a deferred tax liability when it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, it has no effect on either accounting or taxable profits.

However, the amendment to IAS 12 Income Taxes introduces an exception to this exemption when the transaction gives rise to equal taxable and deductible temporary differences. For example, an entity applying IFRS 16 will recognise a right-of-use asset and lease liability at the commencement of a lease, which may give rise (depending on the local jurisdiction) to equal taxable and deductible temporary differences. The amendment clarifies that for leases and other similar transactions, such as decommissioning liabilities, the initial recognition exemption does not apply.

For transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, an entity is therefore required to recognise the related deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and deferred tax liability. An illustrative example has been added to the standard that explains how the amendments are applied.

The amendments are effective for annual periods beginning on or after 1 January 2023. These amendments do not apply to local authority single entity statements but may apply to local authority group accounts.

Where applicable, the amendments apply prospectively to all transactions – other than those relating to leases and decommissioning obligations – that occur from the beginning of the earliest comparative period presented. Entities are required to apply the amendments to leases and decommissioning, restoration and similar obligations for the first time by recognising related deferred tax assets and liabilities for all related deductible and taxable temporary differences at the beginning of the earliest comparative period presented, with the cumulative effect of initially applying the amendments recognised as an adjustment to the opening balance of reserves as appropriate.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The changes in Reference to the Conceptual Framework

(Amendments to IFRS 3) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

The amendments also add to IFRS 3:

- a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities assumed in a business combination, and
- an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments apply prospectively to transactions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022. The amendments were not however included in the consultation on the 2022/23 Code.

4.5 Update on the implementation of IFRS 16: Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases in the financial statements for both lessors and lessees. Effective for annual periods beginning on or after 1 January 2019, the standard introduces:

- a new definition of a lease
- a single on-balance sheet lessee accounting model that – with some limited exemptions for short-term leases and leases of low-value assets – will apply to all leases
- significant new and more extensive disclosures.

  For lessees, IFRS 16 removes the previous (IAS 17) classifications of operating and finance leases. It introduces a single, on-balance sheet, lease accounting model (similar to the accounting for finance leases under IAS 17) requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will be required to recognise:

- a right-of-use asset representing the right to use the underlying asset during the lease term
- a lease liability representing its obligation to make lease payments.

The lease liability is initially measured at the present value of the future lease rental payments discounted using the interest rate implicit in the lease, or the authority’s incremental borrowing rate if the rate implicit in the lease cannot be readily determined. Subsequent to initial measurement, lease liabilities are measured at amortised cost using the effective interest rate method. Lessees will also be required to re-measure the lease liability on the occurrence of certain events (e.g. as a result of a change in the expected lease term or the rate or index used to determine contingent payments). When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount of the remeasurement is recognised in the surplus or deficit on the provision of services.

At initial recognition, the right-of-use asset is measured at cost. Where a right-of-use asset is acquired at a peppercorn or for nominal lease payments, or for nil consideration, the right-of-use asset is measured at its fair value as at the commencement date of the lease. Subsequent to initial recognition, the Code will require right-of-use assets classified:

- to a class of property, plant and equipment to be measured at current (or fair) value using the cost model as a proxy for current (fair) value, other than in those circumstances where the Code deems use of the cost model as a proxy for current value to be inappropriate

- as investment property to be measured at fair value.

In applying the cost model, the carrying amount of the right-of-use asset is adjusted for any accumulated depreciation, any accumulated impairment losses, and any remeasurement of the lease liability.

For lessors, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The requirements of IFRS 16, as adopted by the Code, apply retrospectively with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of reserves at the date of initial application. Comparative information is not restated.

For leases previously classified as operating leases under IAS 17, implementation of IFRS 16 will require the authority to recognise, as lessee, a lease liability and right-of-use asset (including the recognition, at fair value, of a right of use asset in respect of a lease for nil or nominal consideration) at the date of initial application unless:

- the lease term ends within 12 months of the date of transition
- the underlying asset is of low value and the authority has elected to take advantage of the recognition exemption, allowing lease payments associated with such leases to be recognised as an expense over the lease term
- the authority accounts for investment property using the fair value model in section 4.4. of the Code and IAS 40: Investment Property.

As IFRS 16 does not introduce any significant changes to the lessor accounting model, implementation is not expected to have a significant impact on the amounts previously recognised in the Council's accounts.

In December 2020 the CIPFA LASAAC Local Authority Accounting Code Board announced that planned implementation of IFRS 16 - Leases, into the Code of Practice on Local Authority Accounting, would be deferred until the 2022/23 financial year. This announcement followed the earlier decision made by CIPFA LASAAC in March 2020, to defer implementation from 1 April 2020 to 1 April 2021.

Following an emergency consultation during February and March 2022 on proposals for changing the Code of Practice on Local Authority Accounting for 2021/22 and 2022/23, CIPFA LASAAC issued a further statement in April 2022 deferring the mandatory implementation of IFRS 16 - Leases until 1 April 2024. However, both the 2022/23 and the 2023/24 Codes allow for the adoption of IFRS 16 on a voluntary basis from 1 April 2022 or 1 April 2023.

Following CIPFA LASAAC's latest statement on IFRS 16 and, having regard to the Council's ongoing involvement with local government reorganisation in Cumbria, and the preparedness of existing sovereign authorities to implement IFRS 16 in 2022/23, a collective decision was taken by sovereign authorities not to implement IFRS 16 prior to Vesting Day on 1 April 2023.

4.6 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how the funding available to the Council for the year (i.e. government grants, rents, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

2021/22				2022/23		
Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
10,615	(1,296)	9,319	Community Services	14,120	3,503	17,623
1,093	556	1,649	Economic Development	2,437	366	2,803
193	(193)	0	Corporate Support	377	(377)	0
2,145	846	2,991	Finance and Resources	1,956	859	2,815
970	4,553	5,523	Governance & Regulatory Services	3,240	3,160	6,400
(1,866)	2,434	568	Corporate Management	(3,500)	4,608	1,108
788	828	1,616	Exceptional Items (Local Government Reorganisation, Covid-19)	332	200	532
13,938	**7,728**	**21,666**	**Net Cost of Services**	**18,962**	**12,319**	**31,281**
(8,319)	**(13,719)**	(22,038)	**Other Income & Expenditure**	**(12,485)**	**4,244**	(8,241)
5,619	**(5,991)**	**(372)**	**(Surplus) or Deficit**	**6,477**	**16,563**	**23,040**
22,405			**Opening General Fund Balance**	**16,786**		
(5,619)			**Surplus or (Deficit) on General Fund**	**(6,477)**		
16,786			**Closing General Fund Balance at 31 March**	**10,309**		

4.7 Adjustments between Funding and Accounting Basis

Decisions about resource allocation are on the basis of budget reports that analyse income and expenditure across six Directorates.

These reports are prepared on a statutory basis (also referred to as the funding basis), reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on employer's pension contributions payable and direct payments made to pensioners rather than current service cost of benefits accrued in the year.

A summary of adjustments to Net Expenditure Chargeable to the General Fund (GF) to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts is shown in the following table:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Reallocations & Other Differences (Note c) £000	Total Adjustments £000
Community Services	2,428	1,020	55	3,503
Economic Development	0	296	70	366
Corporate Support	0	217	(594)	(377)
Finance and Resources	(68)	389	538	859
Governance & Regulatory Services	294	760	2,091	3,145
Corporate Management	2,738	(246)	2,116	4,608
Exceptional Items	0	52	148	200
Net Cost of Services	**5,392**	**2,488**	**4,424**	**12,304**
Other Operating Expenditure	7,575	0	0	7,575
Financing and Investment Income and Expenditure	2,479	1,123	(1,856)	1,746
Taxation & non-ringfenced grants	(962)	0	(4,100)	(5,062)
Other income and expenditure funded from Expenditure and	**9,092**	**1,123**	**(5,956)**	**4,259**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	**14,484**	**3,611**	**(1,532)**	**16,563**

2021/22 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Reallocations & Other Differences (Note c) £000	Total Adjustments £000
Community Services	(2,242)	981	(35)	(1,296)
Economic Development	0	274	282	556
Corporate Support	0	193	(386)	(193)
Finance and Resources	0	395	451	846
Governance & Regulatory Services	1,244	711	2,598	4,553
Corporate Management	1,299	(244)	1,379	2,434
Exceptional Items	0	59	769	828
Net Cost of Services	**301**	**2,369**	**5,058**	**7,728**
Other Operating Expenditure	251	0	0	251
Financing and Investment Income and Expenditure	(1,434)	1,075	(3,740)	(4,099)
Taxation & non-ringfenced grants	(1,869)	0	(8,002)	(9,871)
Other income and expenditure funded from Expenditure and	**(3,052)**	**1,075**	**(11,742)**	**(13,719)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	**(2,751)**	**3,444**	**(6,684)**	**(5,991)**

(a) Adjustments for Capital Purposes

Adjustments for capital purposes comprise for:

(i) Net Cost of Services: the recognition of capital grants & contributions and revenue expenditure funded from capital under statute. They also include the addition of depreciation, impairments and revaluation losses on non-current assets (PPE).

(ii) Other Income and Expenditure totals:

- removal, from the amounts reported for decision making purposes, of items relating to the use of general fund balances (including the use of earmarked general fund balances) to finance capital expenditure and the statutory provision for the financing of capital expenditure (Minimum Revenue Provision), neither of which are chargeable under generally accepted accounting practices
- recognition within the Other Operating Expenditure line item of the gains and losses arising on derecognition of non-current assets (PPE)
- the inclusion of changes in the fair values of investment properties and gains or losses on disposal of investment properties within the Financing and investment income and expenditure line item, and
- the recognition of non-ringfenced capital grants, contributions and donations within the Taxation and non-specific grant income and expenditure line item.

(b) Net Change for the Pension Adjustments

The net change for the Pensions Adjustments comprises, the removal of pension contributions and direct payments to pensioners and the addition of employee benefits pension related expenditure and income in accordance with the Code and IAS 19 Employee Benefits.

For the net cost of services, the adjustments comprise the removal of the employer pension contributions and direct payments to pensioners made in accordance with statutory provisions and the inclusion of current service costs, past service costs/(gains) and (gains)/losses from curtailments.

For financing and investment income and expenditure, the adjustment comprises the recognition of the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement.

(c) Reallocations and Other Differences

Reallocations comprise amounts included in the directorate service analysis used for decision making purposes but reported below the Net Cost of Services (NCS) line in the Comprehensive Income & Expenditure Statement.

Other differences between amounts charged or credited to the Comprehensive Income and Expenditure Statement and amounts recognised under statute comprise, for:

(i). Net Cost of Services: adjustments to expenditure to reflect timing differences associated with recognition of the costs of short-term paid absences (holiday pay)

(ii). Financing and Investment Income and Expenditure: adjustments to the General Fund for the timing differences associated with the recognition of fair value gains and losses of defined pooled investment funds

(iii). Taxation and Non-Specific Grant Income and Expenditure: timing differences related to differences between the amount of council tax and non-domestic rates income credited to the Council's General Fund in accordance with statutory requirements and the amount of council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement under generally accepted accounting practices included in the Code.

4.8 Expenditure and Income Analysed by Nature

2021/22 Restated[1] £000		Note	2022/23 £000
	Expenditure		
20,317	Employee Benefit expenses		23,032
37,083	Other Service expenses		43,744
2,484	Depreciation, amortisation and impairment		6,164
214	Interest payments		207
708	Precepts and levies		731
430	Gains on the disposal of assets		8,022
(1,482)	Change in Fair Value of Investment Property		2,292
59,754	**Total Expenditure**		**84,192**
	Income		
(10,828)	Revenue from contracts with service recipients	4.9	(10,707)
(202)	Fee, charge and other service income		(166)
(186)	Interest and Investment Income		(656)
(8,421)	Income from Council Tax	4.17	(8,579)
(1,596)	Income from Non-Domestic Rates	4.18	(2,694)
(38,184)	Grants, Contributions and Reimbursements	4.10	(38,728)
(131)	Gain or Loss on Disposal of Non-Current Assets & Investment Property		(260)
(578)	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss		638
(60,126)	**Total Income**		**(61,152)**
(372)	**(Surplus) or Deficit on the Provision of Services**		**23,040**

[1] Restatement of comparatives to remove £5.055m of s31 grants relating to NNDR from the 'Income from Non Domestic Rates, line item and include these within the 'Grants, Contributions and Reimbursements' line item

4.9 Revenue from Contracts with Customers

Income from fees, charges & other service income, including revenue generated from contracts with service recipients, disaggregated by service activity is as follows:

2021/22 £000		2022/23 £000
	Revenue from contracts with service recipients	
(422)	Building Control	(334)
(959)	Development Control	(864)
(1,692)	Bereavement Services	(1,719)
(994)	Car Parking	(893)
(270)	Licensing	(271)
(4,251)	Rental Income from Properties	(4,330)
(2,240)	Other revenue from contracts with service recipients	(2,296)
(10,828)	**Total included in Comprehensive Income & Expenditure Statement**	**(10,707)**
26	Impairment of receivables or contract assets	13

Amounts included in the Balance Sheet for contracts with service recipients:

2021/22 £000		2022/23 £000
	Receivables, which are included in debtors	
16	Building Control	20
7	Development Control	0
155	Bereavement Services	206
47	Car Parking	11
1,000	Rental Income from Properties	618
161	Other revenue from contracts with service recipients	97
1,386	**Total included in Net Assets**	**952**

4.10 Grants, Contributions and Reimbursement Income

The Council credited the following grants, contributions and reimbursements to the Comprehensive Income and Expenditure Statement in 2022/23.

2021/22 Restated £000		2022/23 £000
	Credited to Taxation and Non Specific Grant Income	
	Non Ringfenced Government Grants	
0	Revenue Support Grant	1
747	New Homes Bonus	1,373
193	Rural Services Delivery Grant	193
613	Covid-19 Emergency Funding	0
389	Lower Tier Services Grant	152
0	Levy Account Surplus	28
0	Services Grant	230
5,055	Business Rates (NNDR) - s31 grant	4,066
6,997	**Total**	**6,043**
	Recognised Capital Grants & Contributions	
229	Play Areas & Open Spaces Contribution	471
2	Sands Centre	134
0	Industrial Estates	(187)
97	On Street Charging Infrastructure	0
926	Carlisle Citadels	0
285	Towns Deal Projects	462
71	Swifts Wildlife Haven	0
15	Civic Centre	0
195	Disabled Facilities Grant	0
24	Litter Binfrastructure	0
25	Future High Street Fund	0
0	Parks Levelling Up Fund	67
0	Vehicle Replacements	15
1,869	**Total**	**962**
	Grants - Credited to Services	
886	Economic Regeneration	234
1,263	Supporting Vulnerable People	1,192
18,756	Housing Benefit Subsidy	17,943
631	Revenues and Benefits	687
1,949	Covid-19	357
323	Other Grants	515
	Reimbursements - Credited to Services	
36	Economic Regeneration	79
9	Supporting Vulnerable People	0
829	Revenues and Benefits	815
879	Other Reimbursements	974
	Contributions - Credited to Services	
0	Economic Regeneration	24
177	Revenues and Benefits	187
1,480	Other Contributions	1,496
2,100	**Revenue Expenditure funded by Capital**	7,220
0	Revenue Expenditure funded by Capital - capital grants unapplied	0
29,318	**Total**	**31,723**
38,184	**Total Grants, Contributions and Reimbursements**	**38,728**

4.11 Exceptional Items

2021/22 Exp £000	2021/22 Inc £000	2021/22 Net £000		2022/23 Exp £000	2022/23 Inc £000	2022/23 Net £000
4	(4)	0	Flood Related	0	0	0
2,070	(1,949)	121	Covid-19	336	(357)	(21)
1,514	(19)	1,495	Local Government Reorganisation	808	(255)	553
3,588	**(1,972)**	**1,616**		**1,144**	**(612)**	**532**

4.12 Other Operating Expenditure

2021/22 £000		Note	2022/23 £000
708	Parish Council Precepts		731
251	(Gains)/Losses on disposal of non-current assets	4.15	7,575
959	**Total**		**8,306**

4.13 Financing and Investment Income and Expenditure

2021/22 £000		Note	2022/23 £000
214	Interest payable and similar charges	4.13a	207
1,075	Net Interest on the defined benefit liability (pension assets)	4.44	1,123
(186)	Interest receivable and similar income	4.13b	(656)
(4,916)	Income & Expenditure in relation to investment properties & changes in their fair value	4.14	192
277	(Surplus)/Deficit on Trading Undertakings		227
(578)	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss	4.13b	638
(4,114)	**Total**		**1,731**

(a) Interest payable and similar charges comprises:

2021/22 £000		2022/23 £000
	Interest Expense:	
214	Financial Liabilities measured at Amortised Cost	207
214	**Total Interest Expense**	**207**

(b) Interest receivable and similar income comprises:

2021/22 £000		2022/23 £000
	Interest Revenue:	
(122)	Financial Assets measured at Fair Value through Profit or Loss	(138)
(64)	Financial Assets measured at Amortised Cost	(518)
(186)	**Total Interest Revenue**	**(656)**
	Net (Gains)/Losses on:	
(578)	Financial Assets measured at Fair Value through Profit or Loss	638
(578)	**Total Net (Gains)/Losses**	**638**

4.14 Income & Expenditure in relation to Investment Properties

Amounts recognised in the Comprehensive Income and Expenditure Statement relating to investment property are:

2021/22 £000		2022/23 £000
(4,249)	Rental Income from investment property	(4,063)
815	Direct operating expenses arising from investment property that generated rental income during the period	1,783
(1,482)	(Increase) / Decrease in Fair Value of Investment Properties	2,292
0	(Gains)/Losses on Disposal of Investment Properties	180
(4,916)	**Net (Gain)/Loss**	**192**

4.15 Gains/Losses on Sale of Property, Plant and Equipment

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for the year 2022/23 is as follows:

2021/22 £000		2022/23 £000
0	Gains	(164)
251	Losses	7,739
251	**Total**	**7,575**

4.16 Taxation and Non-Specific Grant Income

2021/22 £000		Note	2022/23 £000
(8,421)	Council Tax Income	4.17	(8,579)
(1,596)	Non-Domestic Rates	4.18	(2,694)
(6,997)	Non-Ring-fenced Government Grants	4.10	(6,043)
(1,869)	Recognised Capital Grants & Contributions	4.10	(962)
(18,883)	**Total**		**(18,278)**

4.17 Council tax income

2021/22 £000		2022/23 £000
(8,411)	Precept	(8,545)
64	Distribution of estimated prior year (surplus)/deficit	(118)
(8,347)	Demand on Collection Fund	**(8,663)**
(145)	Share of actual surplus/(deficit) at 1 April	(71)
71	Share of actual (surplus)/deficit at 31 March	155
(8,421)	**Total**	**(8,579)**

4.18 Non-domestic rates income and expenditure

2021/22 £000		2022/23 £000
(14,728)	Share of Non Domestic rates Income	(16,167)
12,569	Tariff	12,569
563	Levy Expenditure	904
(1,596)	**Total**	**(2,694)**

4.19 Members Allowances

Allowances paid to elected members during the year were as follows:

2021/22 £000		2022/23 £000
	Type of Allowance	
186	Basic Allowance	193
85	Special Responsibility Allowance	90
1	Conference/Other Allowances	4
272	**Total**	**287**

4.20 Officers' Remuneration

The number of employees (including senior employees included in note 4.21) whose remuneration (excluding pension contributions) was £50,000 or more is shown in the following table.

Remuneration Banding (incl Termination Payments)	Number of Employees 2021/22	Number of Employees 2022/23
Between £50,000 and £54,999	2	4
Between £55,000 and £59,999	7	5
Between £60,000 and £64,999	1	5
Between £65,000 and £69,999	0	1
Between £70,000 and £74,999	0	0
Between £75,000 and £79,999	0	0
Between £80,000 and £84,999	4	1
Between £100,000 and £104,999	1	1
Between £125,000 and £129,999	1	0
Between £210,000 and £214,999	0	1
Between £215,000 and £219,999	0	1
Between £305,000 and £309,999	0	1
Total Number of Employees (Including Senior Employees)	**16**	**20**

4.21 Senior Officers' Remuneration

Remuneration paid to the Council's Senior Employees is as follows:

Post 2022/23	Note	Salaries, fees & allowances £	Payments for loss of employment £	Benefits in Kind (e.g car allowance) £	Total Remuneration excluding pension contributions £	Pension £	Total £
Chief Executive	1	117,551	186,179	2,767	306,497	23,393	329,890
Deputy Chief Executive	2	94,504	0	8,591	103,095	18,806	121,901
Corporate Director of Governance & Regulatory Services	3	77,230	132,152	7,020	216,402	15,369	231,771
Corporate Director of Economic Development	4	77,230	0	7,020	84,250	15,369	99,619
Corporate Director of Finance and Resources	5	77,230	130,132	7,117	214,479	15,369	229,848
Total		**443,745**	**448,463**	**32,515**	**924,723**	**88,306**	**1,013,029**

Note 1: The Chief Executive post was made redundant on 31 March 2023. Costs associated with this departure were accrued into 2022/23.

Note 2: The Deputy Chief Executive resigned on 31 March 2023 to take up a permanent position at Cumberland Council.

Note 3: The Corporate Director of Governance & Regulatory Services post was made redundant on 31 March 2023. Costs associated with this departure were accrued into 2022/23.

Note 4: The Corporate Director of Economic Development resigned on 31 March 2023 to take up a permanent position at Cumberland Council.

Note 3: The Corporate Director of Finance & Resources post was made redundant on 31 March 2023. Costs associated with this departure were accrued into 2022/23.

Post 2021/22	Salaries, fees & allowances £	Benefits in Kind (e.g car allowance) £	Total Remuneration excluding pension contributions £	Pension £	Total £
Chief Executive	115,626	9,641	125,267	23,010	148,277
Deputy Chief Executive	92,579	8,416	100,995	18,423	119,418
Corporate Director of Governance & Regulatory Services	75,305	6,845	82,150	14,986	97,136
Corporate Director of Economic Development	75,305	6,845	82,150	14,986	97,136
Corporate Director of Finance and Resources	75,305	6,845	82,150	14,986	97,136
Total	**434,120**	**38,592**	**472,712**	**86,391**	**559,103**

4.22 Exit Packages

The number of exit packages with total cost per band and the total cost compulsory and other departures is set out in the following table:

	Number of Compulsory Redundancies		Number of other Agreed Departures		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	2	2	0	2	2	17	12
£20,001 - £40,000	0	0	1	0	1	0	23	0
£100,001 - £150,000	0	0	1	0	1	0	117	0
£150,001 - £200,000	0	1	0	0	0	1	0	191
£350,001 - £400,000	0	0	0	1	0	1	0	395
£400,001 - £450,000	0	0	0	1	0	1	0	421
Total	**0**	**3**	**4**	**2**	**4**	**5**	**157**	**1,019**

4.23 External Audit Costs

The Council incurred the following costs in relation to the audit of the Statement of Accounts and to non-audit services provided by the Council's external auditors.

21/22 Restated £000		2022/23 £000
64	Fees payable to the external auditor with regard to external audit services carried out by the appointed auditors	83
5	CFO Insights	0
69	**Total**	**83**

4.24 Adjustment between Accounting Basis & Funding Basis under Regulations

This note details the adjustments made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice, to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out in notes 4.25 and 4.26.

2022/23	General Fund balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Collection Fund Adjustment Account £000	Pooled Investments Adjustment £000	Accumulated Absences Account £000	Total Authority Reserves £000
Adjustments to the Revenue Resources (Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements)													
Pension Costs	3,611	0	0	**3,611**	**(3,611)**	0	(3,611)	0	0	0	0	0	**0**
Financial Instruments	638	0	0	**638**	**(638)**	0	0	0	0	0	(638)	0	**0**
Council Tax and NDR	(2,124)	0	0	**(2,124)**	**2,124**	0	0	0	0	2,124	0	0	**0**
Holiday Pay	(46)	0	0	**(46)**	**46**	0	0	0	0	0	0	46	**0**
Reversal of entried included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:													
Depreciation	3,795	0	0	**3,795**	**(3,795)**	0	0	(3,795)	0	0	0	0	**0**
Impairment Losses charged to CIES	2,369	0	0	**2,369**	**(2,369)**	0	0	(2,369)	0	0	0	0	**0**
Capital Grants and Contributions Applied	(8,125)	0	0	**(8,125)**	**8,125**	0	0	8,125	0	0	0	0	**0**
Capital Grants and Contributions Unapplied	(57)	0	57	**0**	**0**	0	0	0	0	0	0	0	**0**
Revenue Expenditure Funded from Capital Under Statute	7,574	0	0	**7,574**	**(7,574)**	0	0	(7,574)	0	0	0	0	**0**
Movement in Market Value of Investment Property	2,292	0	0	**2,292**	**(2,292)**	0	0	(2,292)	0	0	0	0	**0**
Non Current Assets Written off on disposal or sale	8,015	0	0	**8,015**	**(8,015)**	0	0	(8,015)	0	0	0	0	**0**
Total Adjustments to Revenue Resources	**17,942**	**0**	**57**	**17,999**	**(17,999)**	**0**	**(3,611)**	**(15,920)**	**0**	**2,124**	**(638)**	**46**	**0**
Adjustments between Revenue and Capital Resources													
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(254)	254	0	**0**	**0**	0	0	0	0	0	0	0	**0**
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(68)	0	0	**(68)**	**68**	0	0	68	0	0	0	0	**0**
Capital Expenditure Financed from Revenue Balances	(1,057)	0	0	**(1,057)**	**1,057**	0	0	1,057	0	0	0	0	**0**
Total Adjustments between Revenue and Capital Resources	**(1,379)**	**254**	**0**	**(1,125)**	**1,125**	**0**	**0**	**1,125**	**0**	**0**	**0**	**0**	**0**
Adjustments to Capital Resources													
Use of the Capital Receipts Reserve to finance capital expenditure	0	(254)	0	**(254)**	**254**	0	0	254	0	0	0	0	**0**
Application of capital grants to finance capital expenditure	0	0	(34)	**(34)**	**34**	0	0	34	0	0	0	0	**0**
Total Adjustments to Capital Resources	**0**	**(254)**	**(34)**	**(288)**	**288**	**0**	**0**	**288**	**0**	**0**	**0**	**0**	**0**
Total Adjustments	**16,563**	**0**	**23**	**16,586**	**(16,586)**	**0**	**(3,611)**	**(14,507)**	**0**	**2,124**	**(638)**	**46**	**0**

2021/22	General Fund balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Collection Fund Adjustment Account £000	Pooled Investments Adjustment £000	Accumulated Absences Account £000	Total Authority Reserves £000
Adjustments to the Revenue Resources													
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements)													
Pension Costs	3,444	0	0	**3,444**	**(3,444)**	0	(3,444)	0	0	0	0	0	**0**
Financial Instruments	(578)	0	0	**(578)**	**578**	0	0	0	0	0	578	0	**0**
Council Tax and NDR	(6,057)	0	0	**(6,057)**	**6,057**	0	0	0	0	6,057	0	0	**0**
Holiday Pay	(49)	0	0	**(49)**	**49**	0	0	0	0	0	0	49	**0**
Reversal of entried included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:													
Depreciation	3,521	0	0	**3,521**	**(3,521)**	0	0	(3,521)	0	0	0	0	**0**
Impairment Losses charged to CIES	(1,037)	0	0	**(1,037)**	**1,037**	0	0	1,037	0	0	0	0	**0**
Capital Grants and Contributions Applied	(3,969)	0	0	**(3,969)**	**3,969**	0	0	3,969	0	0	0	0	**0**
Capital Grants and Contributions Unapplied	0	0	0	**0**	**0**	0	0	0	0	0	0	0	**0**
Revenue Expenditure Funded from Capital Under Statute	2,136	0	0	**2,136**	**(2,136)**	0	0	(2,136)	0	0	0	0	**0**
Movement in Market Value of Investment Property	(1,482)	0	0	**(1,482)**	**1,482**	0	0	1,482	0	0	0	0	**0**
Non Current Assets Written off on disposal or sale	382	0	0	**382**	**(382)**	0	0	(382)	0	0	0	0	**0**
Total Adjustments to Revenue Resources	**(3,689)**	**0**	**0**	**(3,689)**	**3,689**	**0**	**(3,444)**	**449**	**0**	**6,057**	**578**	**49**	**0**
Adjustments between Revenue and Capital Resources													
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(80)	80	0	**0**	**0**	0	0	0	0	0	0	0	**0**
Capital Expenditure Financed from Revenue Balances	(2,222)	0	0	**(2,222)**	**2,222**	0	0	2,222	0	0	0	0	**0**
Total Adjustments between Revenue and Capital Resources	**(2,302)**	**80**	**0**	**(2,222)**	**2,222**	**0**	**0**	**2,222**	**0**	**0**	**0**	**0**	**0**
Adjustments to Capital Resources													
Use of the Capital Receipts Reserve to finance capital expenditure	0	(80)	0	**(80)**	**80**	0	0	80	0	0	0	0	**0**
Application of capital grants to finance capital expenditure	0	0	(36)	**(36)**	**36**	0	0	36	0	0	0	0	**0**
Total Adjustments to Capital Resources	**0**	**(80)**	**(36)**	**(116)**	**116**	**0**	**0**	**116**	**0**	**0**	**0**	**0**	**0**
Total Adjustments	**(5,991)**	**0**	**(36)**	**(6,027)**	**6,027**	**0**	**(3,444)**	**2,787**	**0**	**6,057**	**578**	**49**	**0**

4.25 Usable Reserves

(a) Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance 31 March 2023 £000
Capital:							
Lanes Capital Fund	90	0	15	105	0	15	120
Total Capital Reserves	**90**	**0**	**15**	**105**	**0**	**15**	**120**
Revenue							
Building Control Reserve	24	(9)	47	62	(65)	0	(3)
Cremator Replacement Reserve	1,196	0	90	1,286	0	87	1,373
City Centre Reserve	5	0	0	5	0	0	5
Flooding Earmarked Reserve	4	0	0	4	0	0	4
Prosecutions Fund Reserve	36	(2)	15	49	0	0	49
Revenue Grants Reserve	2,141	(520)	963	2,584	(921)	20	1,683
Planning Services Reserve	206	(85)	143	264	(143)	142	263
Apprentice Reserve	96	0	0	96	0	0	96
Waverley Viaduct Reserve	30	0	0	30	0	0	30
Economic Recovery Reserve	50	(50)	0	0	0	0	0
Operational Risk Reserve	3,200	(2,100)	0	1,100	(777)	0	323
Council Tax Hardship Grant Reserve	359	(359)	0	0	0	0	0
Council Tax Income Guarantee Reserve	69	(23)	0	46	(23)	0	23
Tullie House Reserve	0	0	800	800	(800)	0	0
Leisure Reserve	0	0	400	400	(400)	0	0
Caldew Riverside Reserve	0	0	0	0	0	100	100
Talkin Tarn Reserve	0	0	0	0	0	3	3
Total Revenue Reserves	**7,416**	**(3,148)**	**2,458**	**6,726**	**(3,129)**	**352**	**3,949**
Business Rates S.31 Grants Reserve	9,463	(9,463)	3,155	3,155	(3,155)	0	0
Total Earmarked Reserves	**16,969**	**(12,611)**	**5,628**	**9,986**	**(6,284)**	**367**	**4,069**
General Reserves							
General Fund Balance	4,808	0	1,124	5,932	(1,595)	0	4,337
Carry Forward Reserve	628	0	240	868	(58)	1,093	1,903
Total General Fund Reserve	**5,436**	**0**	**1,364**	**6,800**	**(1,653)**	**1,093**	**6,240**
Total General Fund Balances	**22,405**	**(12,611)**	**6,992**	**16,786**	**(7,937)**	**1,460**	**10,309**
Deferred Credits	20	0	0	20	0	0	20
Capital Grant Unapplied	126	(36)	0	90	(34)	57	113
Total Usable Reserves	**22,551**	**(12,647)**	**6,992**	**16,896**	**(7,971)**	**1,517**	**10,442**

(b) General Fund Balances

The General Fund is the statutory fund into which all receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

2021/22 £000		2022/23 £000
5,436	**General Fund Balance at 1 April**	**6,800**
1,364	Increase/(decrease) in year	(560)
6,800	**Balance at 31 March**	**6,240**

(c) Business Rates S.31 Grant Reserve

This reserve holds the balance of Section 31 grants received to compensate the Council for the loss of Business Rates income which resulted from expansion of retail relief due to the Covid-19 pandemic. It has been used to offset the carried forward deficit on the Collection Fund in 2022/23.

2021/22 £000		2022/23 £000
9,463	**Balance at 1 April**	**3,155**
3,155	Grants received and appropriated to S31 grant reserve	0
(9,463)	Grants released to Genral Fund in year	(3,155)
3,155	**Balance at 31 March**	**0**

(d) Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the balance of grants and contributions received towards capital projects in respect of which the Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22 £000		2022/23 £000
126	**Balance at 1 April**	**90**
(36)	Capital grants received in previous years and applied in current year	(34)
0	Capital grants received in current year but not applied	57
90	**Balance at 31 March**	**113**

(e) Usable Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

2021/22 £000		2022/23 £000
0	**Balance at 1 April**	**80**
80	Sale proceeds credited to Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	254
0	Transfer from Deferred Capital Receipts Reserve	0
0	Capital receipt arising on repayment of grant assistance & long term loan advances	0
80	Total capital receipts received in year	254
(80)	Receipts applied to finance capital expenditure during the year	(254)
80	**Balance at 31 March**	**0**

(f) Deferred Credits

This represents the balance of capital debtors recognised within long term debtors in respect of Housing Act Mortgage Debtors which remain outstanding at the year end and, therefore, cannot be counted within the usable capital receipts reserve.

4.26 Unusable reserves

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

2021/22 £000		2022/23 £000
42,943	**Balance at 1 April**	**49,037**
7,929	Upward Revaluation of Assets	4,292
(986)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(3,006)
6,943	Surplus or (Deficit) on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	1,286
(849)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(916)
0	Accumulated gains on assets sold or scrapped	(7,070)
49,037	**Balance at 31 March**	**42,337**

(b) 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 the cost of acquisitions, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation reserve was created to hold such gains.

2021/22 £000		2022/23 £000
124,790	**Balance at 1 April**	**128,426**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(3,515)	Charges for depreciation and impairment of non-current assets	(3,787)
(6)	Amortisation of Intangible Assets	(8)
1,037	Revaluation losses on Property, Plant and Equipment	(2,369)
(2,136)	Revenue Expenditure Funded from Capital under Statute	(7,574)
(382)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(8,015)
(5,002)		**(21,753)**
849	Adjusting Amounts written out of the Revaluation reserve	7,986
(4,153)	**Net written out amount of the cost of non-current assets consumed in the year**	**(13,767)**
120,637		**114,659**
	Capital Financing Applied in the year	
80	Use of Capital Receipts Reserve to finance new capital expenditure	254
3,969	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,125
36	Application of grants to capital financing from the Capital Grants Unapplied Account	34
0	Statutory provision for the financing of capital investment charged against the General Fund	68
2,222	Capital expenditure charged against the General Fund	1,057
6,307		**9,538**
1,482	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,292)
128,426	**Balance at 31 March**	**121,905**

(c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. 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.

2021/22 £000		2022/23 £000
(52,532)	**Balance at 1 April**	**(41,753)**
14,223	Remeasurements of the net defined benefit (liability)/asset	43,637
(6,071)	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	(6,942)
2,627	Employer's pensions contributions and direct payments to pensioners payable in the year	3,331
(41,753)	**Balance at 31 March**	**(1,727)**

(d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax-payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £000		2022/23 £000
(9,570)	**Balance at 1 April**	**(3,513)**
6,057	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,124
(3,513)	**Balance at 31 March**	**(1,389)**

(e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., 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.

2021/22 £000		2022/23 £000
(288)	**Balance at 1 April**	**(239)**
288	Settlement or cancellation of accrual made at the end of the previous period	239
(239)	Amounts accrued at the end of the current year	(193)
49	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	**46**
(239)	**Balance at 31 March**	**(193)**

(f) Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account contains the cumulative gains and losses arising from increases/decreases in the fair value of pooled investment funds classified as fair value through profit and loss in accordance with Statutory Instrument 2018/1207 – Local Authorities (Capital Finance and Accountancy) (England) (Amendment) Regulations 2018, regulation 30K.

2021/22 £000		2022/23 £000
452	**Balance at 1 April**	**1,030**
578	Upward/(Downward) Revaluation of Investments	(638)
578		**(638)**
1,030	**Balance at 31 March**	**392**

4.27 Property Plant and Equipment

(a) Net book value of Property, Plant and Equipment

2021/22 £000		2022/23 £000
5,150	Infrastructure Assets	5,193
84,421	Other Property, Plant and Equipment Assets	79,896
89,571	**Total**	**85,089**

(b) Infrastructure Assets

2021/22 £000		2022/23 £000
5,080	Net book value (modified historical cost) at 1 April	5,150
214	Additions	203
(6)	Derecognition	0
(139)	Depreciation	(160)
1	Other movements in cost	0
5,150	**Net book value at 31 March**	**5,193**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information on the grounds that previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure asset

(c) Other Property, Plant and Equipment Assets

2022/23	OPERATIONAL				NON OPERATIONAL		
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	Total £000
Cost or Valuation							
Valuation as at 1 April 2022	234	54,242	14,647	4,243	19,425	953	93,744
Additions/Enhancements	0	444	2,022	87	6,254	12	8,819
Disposals	0	(8,286)	(555)	0	0	0	(8,841)
Reclassifications	0	25,679	0	0	(25,679)	0	0
Revaluations Taken to Revaluation Reserve	22	(726)	0	0	0	(12)	(716)
Revaluations Charged to Surplus/Deficit on Provision of Services 2022/23	7	(2,966)	0	0	0	(19)	(2,978)
Valuation as at 31 March 2023	263	68,387	16,114	4,330	0	934	90,028
Depreciation							
Accumulated Dep'n at 1 April 2022	0	0	(9,323)	0	0	0	(9,323)
Depreciation Charge to CIES 2022/23	(20)	(2,244)	(1,363)	0	0	0	(3,627)
Depreciation on Disposals	0	452	554	0	0	0	1,006
Depreciation w/out to Revaluation Reserve	20	1,164	0	0	0	0	1,184
Depreciation w/out to Surplus/Deficit on Provision of Services	0	628	0	0	0	0	628
Accumulated Dep'n at 31 March 2023	0	0	(10,132)	0	0	0	(10,132)
Net Book Value at 31 March 2023	**263**	**68,387**	**5,982**	**4,330**	**0**	**934**	**79,896**
Net Book Value at 31 March 2022	234	54,242	5,324	4,243	19,425	953	84,421
Nature of Asset holding							
Owned	263	68,387	5,982	4,330	0	934	79,896
	263	**68,387**	**5,982**	**4,330**	**0**	**934**	**79,896**

2021/22	OPERATIONAL Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Community Assets £000	NON OPERATIONAL Assets under Constr £000	Surplus assets £000	Total £000
Cost or Valuation							
Valuation as at 1 April 2021	230	50,276	17,406	4,195	5,741	1,143	78,991
Additions/Enhancements	0	2,411	1,143	49	13,684	44	17,331
Disposals	0	(49)	(3,902)	0	0	0	(3,951)
Reclassifications	0	0	0	(1)	0	0	(1)
Revaluations Taken to Revaluation Reserve	10	934	0	0	0	(38)	906
Revaluations Charged to Surplus/Deficit on Provision of Services 2021/22	(6)	670	0	0	0	(196)	468
Valuation as at 31 March 2022	234	54,242	14,647	4,243	19,425	953	93,744
Depreciation							
Accumulated Dep'n at 1 April 2021	0	0	(11,596)	0	0	0	(11,596)
Depreciation Charge to CIES 2021/22	(17)	(1,983)	(1,376)	0	0	0	(3,376)
Depreciation on Disposals	0	3	3,649	0	0	0	3,652
Depreciation w/out to Revaluation Reserve	9	1,392	0	0	0	0	1,401
Depreciation w/out to Surplus/Deficit on Provision of Services	8	588	0	0	0	0	596
Accumulated Dep'n at 31 March 2022	0	0	(9,323)	0	0	0	(9,323)
Net Book Value at 31 March 2022	**234**	**54,242**	**5,324**	**4,243**	**19,425**	**953**	**84,421**
Net Book Value at 31 March 2021	230	50,276	5,810	4,195	5,741	1,143	67,395
Nature of Asset holding							
Owned	234	54,242	5,324	4,243	19,425	953	84,421
	234	**54,242**	**5,324**	**4,243**	**19,425**	**953**	**84,421**

4.28 Bases of Valuation

From 1 April 1994 the Council's property, plant and equipment has been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in the Statement of Accounting Policies.

Valuations are carried out via an annual revaluation programme. Valuations for 2022/23 were carried out by internal valuer G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of external valuation experts Montague Evans as at 31 March 2023.

Community Assets, Vehicles, Plant and Equipment and Infrastructure assets are all held at Historic Cost and are not subject to revaluations. All assets subject to revaluation were revalued as at 31 March 2023.

The table below shows the number and types of asset the Council reports on its balance sheet:

31 March 2022		31 March 2023
1	Civic Centre	1
11	Depots and Workshops	11
13	Off Street Car Parks	13
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
4	Hostels/Homeshares	4
1	Crematorium	1
75	Industrial/Retail Units	75
12	Community Centres	12
7	Industrial Estates	7

4.29 Surplus Properties

The fair value of Surplus property held on the Balance Sheet is based on valuations which are reviewed annually. Valuations for 2022/23 were carried out by internal valuer G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of external valuation experts Montague Evans as at 31 March 2023. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

(a) Fair Value Hierarchy

Details of the Council’s Surplus properties and information about the fair value hierarchy as at 31 March 2023 are as follows:

2022/23 Recurring Fair Value Measurements using:	Quoted prices In active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2023 £000
Development Land	0	577	0	577
Retail	0	132	0	132
Residential	0	225	0	225
Total	**0**	**934**	**0**	**934**

2021/22 Recurring Fair Value Measurements using:	Quoted prices In active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2022 £000
Development Land	0	585	0	585
Retail	0	153	0	153
Residential	0	215	0	215
Total	**0**	**953**	**0**	**953**

(b) Transfers between Levels of the Fair Value hierarchy

There were no transfers between Levels 1 and 2 during the year.

(c) Highest and Best Use of Surplus Properties

In estimating the fair value of the authority's surplus properties, the highest and best use of the properties is their current use.

(d) Valuation Techniques used to determine Level 2 and 3 Fair Values for Surplus Properties

Income approach

Fair values estimated using the income approach involve use of a discounted cash flow (income capitalisation) methodology to convert future cash flows from the property (for example future rental income) to a single current capital value using an appropriate market derived discount rate (capitalisation yield). Capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers professional judgement and market observation.

Market approach

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy. Where a market approach does not include significant unobservable adjustments, these assets are categorised as level 2.

4.30 Investment Properties

Investment property comprises land and buildings held solely to earn rentals and/or for capital appreciation. The following table summarises the movement in the carrying value (fair value) of investment properties over the year.

2021/22 £000		2022/23 £000
95,158	Opening Balance at 1 April of Investment Property	97,773
1,210	Additions to existing assets	168
(77)	Disposals	(180)
1,482	Net gains or losses from fair value adjustments	(2,292)
97,773	**Closing Balance at 31 March**	**95,469**

(a) Valuation process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. Valuations at 31 March 2023 were carried out by internal valuer G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of external valuation experts Montague Evans.

Valuations are undertaken in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards and Guidance (the 'Red Book') using an Income (income capitalisation) Approach or Market Approach.

(b) Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 are as follows:

2022/23 Recurring Fair Value Measurements using:	Quoted prices In active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2023 £000
Development Land	0	4,653	0	4,653
Retail	0	28,825	0	28,825
Industrial Sites	0	59,505	0	59,505
Residential	0	1,274	0	1,274
Education	0	0	0	0
Office Units	0	902	0	902
Airport	0	310	0	310
Total	**0**	**95,469**	**0**	**95,469**

2021/22 Recurring Fair Value Measurements using:	Quoted prices In active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2022 £000
Development Land	0	4,758	0	4,758
Retail	0	32,063	0	32,063
Industrial Sites	0	58,140	0	58,140
Residential	0	1,352	0	1,352
Education	0	180	0	180
Office Units	0	975	0	975
Airport	0	305	0	305
Total	**0**	**97,773**	**0**	**97,773**

(c) Transfers between Levels of the Fair Value hierarchy

There were no transfers between Levels 1 and 2 during the year.

(d) Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties

Income approach

Fair values estimated using the income approach involve use of a discounted cash flow (income capitalisation) methodology to convert future cash flows from the property (for example future rental income) to a single current capital value using an appropriate market derived discount rate (capitalisation yield). Capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers professional judgement and market observation.

Market approach

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy. Where a market approach does not include significant unobservable adjustments, these assets are categorised as level 2.

(e) Highest and Best Use of Investment Properties

In estimating the fair value of the Authority’s investment properties, the highest and best use of the properties is their current use.

(f) Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

(g) Reconciliation of Fair Value Measurements categorised within Level 3 of the Fair Value Hierarchy

2021/22 £000	Assets categorised within Level 3	2022/23 £000
0	Opening Balance	0
0	Transfers out of Level 3	0
0	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0
0	Additions/enhancements	0
0	Disposals	0
0	**Closing Balance**	**0**

(h) Quantitative information about Fair Value Measurement in Investment Properties using significant Unobservable Inputs – Level 3

There are no Investment Properties measured at Level 3.

4.31 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	At Cost	At Valuation						
	Statues, Monum-ents & historic Land-marks £000	Pictures, Prints & Sculpture £000	Decorative Arts (Silver, China, Glass & Porcelain) £000	Archaeol-ogy £000	Natural History £000	Civic Regalia £000	Other Museum Collection £000	Total £000
Cost or Valuation								
Valuation as at 1 April 2021	817	14,000	950	1,300	500	385	1,550	**19,502**
Additions	27	0	0	0	0	0	0	**27**
Revaluations for additions	(27)	0	0	0	0	0	0	**(27)**
Revaluations recognised in Revaluation Reserve	0	4,636	0	0	0	0	0	**4,636**
Valuation as at 31 March 2022	**817**	**18,636**	**950**	**1,300**	**500**	**385**	**1,550**	**24,138**
Cost or Valuation								
Valuation as at 1 April 2022	817	18,636	950	1,300	500	385	1,550	**24,138**
Additions	19	0	0	0	0	0	0	**19**
Reclassifications	0	0	175	0	0	0	(175)	**0**
Revaluations for additions	(19)	0	0	0	0	0	0	**(19)**
Revaluations recognised in Revaluation Reserve	0	0	(450)	0	0	0	1,268	**818**
Valuation as at 31 March 2023	**817**	**18,636**	**675**	**1,300**	**500**	**385**	**2,643**	**24,956**

a) Statues, Monuments and Historic Landmarks

The Council's collection of statues, monuments and historic landmarks are carried at Historic cost where known. This is primarily assets that have been previously been classified as Community assets and includes, Dixons Chimney, West Walls, Castle Banks, and the Public Realm works for the Roman Frontier.

Other statues and monuments are not recorded on the balance sheet as valuation is not considered to be possible. These include the following assets:

- Market Cross, Greenmarket
- Queen Victoria Statue, Bitts Park
- James Creighton Statue, Hardwicke Circus,
- James Steel Statue, English Street
- Earl of Lowther Statue, The Crescent
- Cenotaph, Rickerby Park
- War Memorial, Greenmarket
- War Memorial, Richardson St Cemetery
- War Memorial, Botcherby Community Centre
- War Memorial, Stanwix Cemetery
- Hyssop Holme Well, Etterby

b) Pictures, Prints and Sculptures

The Council's collection of pictures, prints and sculptures is reported in the Balance Sheet at insurance valuation. The schedule covers some 5,000 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £1,500,000 and this is a painting from 1868 titled Risen at Dawn: Gretchen Discovering Faust's Jewels, by Dante Gabriel Charles Rossetti. There are a further 12 items with an individual valuation of £250,000 each and a further 16 items valued over £100,000 each.

c) Decorative Arts (Silver, China, Glass and Porcelain)

The Council's collection of silver, china, glass and porcelain is reported in the Balance sheet at insurance valuation. The schedule covers some 1,600 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values. There are no significant individual items, the largest single valuation being £32,000 for a porcelain pot.

The Council undertook a revaluation of the decorative arts (silver, china, glass & porcelain) and social history collection for insurance purposes in 2022/23 and change in values have been reflected in the balance sheet in 2022/23. The valuations for insurance purposes were undertaken by Adam Schoon (Antiques & Fine Art Valuer).

d) Archaeology

The Council's collection of archaeology is reported in the Balance sheet at insurance valuation. The schedule covers some 20,000 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values.

e) Natural History

The Council's collection of natural history is reported in the Balance sheet at insurance valuation. The schedule covers some 816,500 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values.

f) Other Museum collection

The Council's other museum collections include items of social history, coins and medals, firearms, musical instruments and costumes and clothing and is reported in the Balance sheet at insurance valuation. The schedule covers c.22,000 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values. There is one significant item within this part of the collection that is valued at £1,250,000.

g) Civic Regalia

The Council's Civic Regalia is reported in the Balance sheet at insurance valuation. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values.

h) Other heritage assets not included in the balance sheet

The Council's owns other items that are classified as heritage assets, but which do not hold a valuation and for which it would not be cost effective to obtain a valuation. These include:

- Mayoral picture gallery, Civic Centre
- Various pictures, sculptures and paintings, 1st floor Civic Centre

4.32 Heritage Assets: Further information on Tullie House Museum's Collections

The collections fall into four main areas: Archaeology, Social History, Natural Sciences and Fine and Decorative Arts. Human history collections are centred on the **Social History** of Carlisle District, and the **Archaeology** of North Cumbria; **Natural Sciences** encompasses the flora, fauna and geology of Cumbria; and **Fine and Decorative Arts** includes British fine and decorative art, with particular reference to North Cumbria.

Fine and Decorative Art

a) Scope of the Collections

Wide ranging fine art collection consisting of 4,800 paintings, watercolours, drawings, prints, photographs, sketch books and sculpture by mainly British artists dating from about 1650 to the present day. This collection is mostly of regional significance but also includes works of national importance. Notable elements include:

Purchase Scheme 1933-75 (200 works)

Collection of 20th century British art including works of national importance. Key artists represented include Stanley Spencer, William Rothenstein, Wyndham Lewis, Esmond Lowinksy, Vanessa Bell, Lucien Pissarro, Charles Ginner, L S Lowry, John Nash, Eric Ravilious, Carel Weight, Peter Blake, and Roger de Grey.

Emily and Gordon Bottomley Bequest 1949 (600 works)

Collection of 19th and 20th century British art including works of national importance. Key artists represented include Pre-Raphaelites: Dante Gabriel Rossetti, Elizabeth Siddal, William Morris, Edward Burne-Jones, Ford Madox Brown, and Arthur Hughes. Other key artists represented include Samuel Palmer, Charles Ricketts, and Paul Nash.

Carel Weight Bequest 1999 (91 works)

Important collection of late 19th and 20th century mainly British art. Key artists represented include Lucien Pissarro, Stanley Spencer, L S Lowry, Thomas Barclay Hennell and Carel Weight.

Pre-Raphaelite Collection (48 works)

Nationally important collection of works by the Pre-Raphaelites acquired from the Howard family, William Rothenstein, the Purchase Scheme and Gordon Bottomley. Key artists listed above.

Local Art and Artists Collection (1,000 works)

Important collection of works by local and visiting artists many of which relate to northern Cumbria. Key artists represented include Sam Bough, William James Blacklock, Winifred Nicholson, Sheila Fell, Julian Cooper, Donald Wilkinson, Jem Southam and Keith Tyson.

Decorative Art (1,500 items)

Wide ranging collection mostly consisting of ceramics including the Williamson Bequest (1940) of 800 pieces of 18th and 19th century English porcelain, all major factories represented. The bequest also includes a 17th century table clock by Joseph Knibb of London. Textiles include a good collection of quilts (40). Items associated with the Arts and Crafts Movement include costume, textiles, furniture, ceramics, and metalwork. A small collection of musical instruments includes strings by the Forster family and a decorated violin by Andrea Amati (1564).

Natural Sciences

a) Scope of the collections

Regionally significant collections of zoological, botanical, and geological material, totalling some quarter of a million specimens. These collections are particularly strong in material of Cumbrian provenance and provide a unique resource relating to the landscape and biodiversity of the region.

Zoology (c. 210,000 items)

Significant collection of British birds and mammals (mounts and skins) and birds' eggs; some vertebrate skeletal material; extensive and significant collections of British insects; British and foreign Mollusca.

Botany (c. 26,000 items)
Lakeland and British herbaria, including mosses and lichens.

Fungi (c. 1,500 items)

Developing collection of Cumbrian fungi with special focus on montane and grassland species.

Geology (c.9,000 items)

Substantial holdings of fossil, rock, and mineral material. Includes a major Cumbrian mineral collection and an important 19th century fossil collection

Cumbria Biodiversity Data Centre (570,000 records)

Tullie House operates the local biodiversity data centre for Cumbria, in partnership with several funding organisations. The computer database presently includes some 50,000 records deriving from specimens in the collections.

Social History

a) Scope of Collections (c.22,000 items)
A wide-ranging collection of objects, ephemera, and photographs (plus a limited range of oral history recordings and audio-visual footage) relating to personal, community and working life in Carlisle district from the 1644-5 Civil War onwards. This includes a large collection of men's, ladies', children's and infants' costume and accessories dating from 1700 to the present.

The collections include a good general representation of working, domestic, and recreational activities. Material includes items from the 1745 Jacobite Rising, 17th/18th century silver of the city and its trade guilds, coins and medallions from 16th to 20th centuries, Carlisle made watches, long case clocks and firearms, State Management branded pub material, traditional Cumbrian sports trophies and accessories, ephemera relating to 20th Carlisle Pageants and fairs, tools, equipment and products of local industry and agriculture, the Blue Streak Rocket Project Archive, costumes of notable individuals including Margery Jackson and Pilot Tadeusz Felc.

Archaeology

a) Scope of Collections (c.20,000 items)
The collections cover the period from the arrival of humans into Cumbria up to the 1644-5 Civil War. It consists of artefacts and their associated documentation covering the whole period. This documentation includes original paper documents, photographs, digital records, publication offprints and other secondary sources. In addition, the museum is a repository for excavation archives undertaken by various bodies in the area, including English Heritage, Oxford Archaeology North, and North Pennines Archaeological Trust.

There are important items within the collections from the whole period. These include: rough-out material from the Langdale stone axes factories, pottery from Ehenside Tarn and Old Walls, a stone spear-mould from Croglin, a gold neck-ring from Greysouthern, and cemetery material from Garlands and Aglionby, which date to the prehistoric period. The material relating to the Roman occupation includes an internationally important collection of inscribed and sculptured stones from Carlisle and Hadrian's Wall as well as domestic and military material. The post-Roman and Early Medieval period include objects from Viking burials at Ormside, Hesket and Cumwhitton and a Saxon sword from the River Thames. The medieval life of the city is represented by coins struck at the Carlisle Mint, ceramics from Carlisle and further away, city bell, muniment chest and stocks. The Elizabethan period is covered by weights and measures and racing bells. In addition, there is a fine collection of British coinage of all periods. A notable point about the collection is that the waterlogged conditions that can be found in the archaeological layers of Carlisle allow the preservation of wood and leather artefacts that do not survive in other places.

Preservation and Management

As the museum holds, and intends to acquire, archives, including photographs and printed ephemera. Its governing body will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002). The Council's policy on acquisition, disposals and management of Heritage assets provides further information on this

4.33 Capital Expenditure and Capital Financing

2021/22 £000		2022/23 £000
19,522	Opening Capital Financing Requirement	34,158
	Capital Expenditure	
17,545	Property, Plant and Equipment	9,022
1,210	Investment Properties	168
37	Intangible Assets	0
27	Heritage Assets	19
2,136	Revenue Expenditure funded from Capital Under Statute	7,574
20,955		16,783
	Sources of Finance	
(80)	Capital Receipts used to finance expenditure	(254)
(4,005)	Capital Grants and Contributions	(8,159)
(2,222)	Revenue Financing & Reserves	(1,057)
0	Minimum Revenue Provision	(68)
(12)	Transferred Debt	(97)
(6,319)		(9,635)
34,158	**Closing Capital Financing Requirement**	**41,306**
	Explanation of Movements in year	
14,636	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	7,148
14,636	**Increase/(decrease) in Capital Financing Requirement**	**7,148**

4.34 Revenue Expenditure Funded from Capital Under Statute

Items of revenue expenditure funded from capital under statute, which are not financed by government grants, are written off to the Comprehensive Income and Expenditure Statement during the year. The value for 2022/23 is as follows:

2021/22				2022/23		
Expend-iture £000	Grants Utilised £000	Amounts Written Off £000		Expend-iture £000	Grants Utilised £000	Amounts Written Off £000
1,992	(1,992)	0	Disabled Facilities Grants	2,523	(2,228)	(295)
100	(100)	0	Future High Street Fund Projects	508	(508)	0
0	0	0	Sustainable Warmth	4,182	(4,182)	0
0	0	0	Town Deal Projects	260	(260)	0
44	(8)	(36)	Other	101	(42)	(59)
2,136	**(2,100)**	**(36)**	**Total**	**7,574**	**(7,220)**	**(354)**

4.35 Capital Commitments

At 31 March 2023, the Council has entered several contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years; budgeted to cost £2,510,000. Similar commitments at 31 March 2022 were £8,012,000. The major commitments are:

31-Mar-22 £000		31-Mar-23 £000
1,576	Improvement Grant Commitments	1,350
432	Vehicle Replacements	233
12	Civic Centre Redevelopment	0
5,338	Sands Centre Development	336
654	Towns Deal Projects	591
8,012		**2,510**

At 31 March 2023 the Council has no contractual obligations to purchase, construct or develop investment property.

4.36 Investments

31-Mar-22 £000		31-Mar-23 £000
	Long-term	
3,867	CCLA - Local Authorities' Property Fund	3,229
3,867	**Total- Long-term**	**3,229**
	Short-term	
5,003	Fixed term deposits	0
7,004	Notice accounts	19
12,007	**Total- Short-term**	**19**

4.37 Short Term Debtors

31/03/2022 Restated £000		31-Mar-23 £000
4,721	Central Government Bodies	2,099
2,408	Other Local Authorities	3,021
4,967	Bodies external to government	5,270
(1,863)	Expected Credit Losses	(2,296)
10,233	**Total**	**8,094**

The allowance for expected credit losses comprises:

31-Mar-22 £000		31-Mar-23 £000
(27)	Trade and other receivables	(23)
(356)	Council Tax	(386)
(170)	NNDR	(485)
(1,310)	Housing Benefit Overpayments	(1,402)
(1,863)	**Closing balance**	**(2,296)**

4.38 Non IFRS9 financial assets that are either past due or impaired

An analysis of the age of non IFRS 9 financial assets, comprising Council Tax, NNDR and Housing Benefit overpayments that were either past due at the balance sheet date or impaired, is set out in the following tables:

Council Tax

The total arrears on Council Tax at 31 March 2023 was £6,150,077. The Council's share of these arrears can be analysed as follows:

31-Mar-22 £000		31-Mar-23 £000
	Council Tax	
10	Less than three months	11
17	Three to Six months	19
241	Six months to One year	261
363	More than One year	425
631	**Total (gross arrears)**	**716**
	Loss allowance:	
0	determined on an individual basis	0
(356)	determined on a collective basis	(386)
(356)	**Total - Loss allowance**	(386)

NNDR (Business Rates)

The total arrears on business rates at 31 March 2023 was £2,831,504 (including costs of £15,088). The Council's share of these arrears can be analysed as follows:

31-Mar-22 £000		31-Mar-23 £000
	Non-Domestic Rates	
41	Less than three months	22
28	Three to Six months	70
239	Six months to One year	594
309	More than One year	441
617	**Total (gross arrears)**	**1,127**
	Loss allowance:	
0	determined on an individual basis	0
(170)	determined on a collective basis	(485)
(170)	**Total - Loss allowance**	**(485)**

Housing Benefit Overpayments

At 31 March 2023 outstanding debt relating to Housing Benefit Overpayments was £1.688million. Of this amount £1.688million is past its due date for payment. The aged-debt analysis of this sum is as follows:

31-Mar-22 £000		31-Mar-23 £000
	Housing Benefit Overpayments	
60	Less than three months	63
45	Three to Six months	61
102	Six months to One year	121
1,380	More than One year	1,443
1,587	**Total (gross arrears)**	**1,688**
	Loss allowance:	
(68)	determined on an individual basis	(106)
(1,242)	determined on a collective basis	(1,296)
(1,310)	**Total - Loss allowance**	**(1,402)**

4.39 Cash and Cash Equivalents

31-Mar-22 £000		31-Mar-23 £000
3	Cash in hand	3
7,274	Bank current accounts	703
5,000	Call accounts (same day access funds)	2,460
5,000	Other bank deposits	0
17,277	**Cash and Cash Equivalents (balance sheet)**	**3,166**
0	Bank Overdraft	0
17,277	**Cash and Cash Equivalents (cash flow statement)**	**3,166**

4.40 Short & Long-Term Creditors

31/03/2022 Restated £000		31-Mar-23 £000
(9,604)	Central Government Bodies	(2,213)
(768)	Other Local Authorities	(1,678)
(4,213)	Other Entities and Individuals	(5,466)
49	Employee Benefits	46
(14,536)	**Total**	**(9,311)**

4.41 Receipts in Advance

31/03/2022 Restated £000		31-Mar-23 £000
(9,843)	Central Government Bodies	(1,084)
(669)	Other Local Authorities	(276)
(799)	Other Entities and Individuals	(1,374)
(11,311)	**Total Revenue Receipts in Advance**	**(2,734)**
	Central Government Bodies	
(647)	Towns Deal Accelerated Fund	(581)
(1,040)	Future High Street Fund	(2,272)
(19,955)	Sustainable Warmth	(15,033)
(985)	Towns Deal	(2,660)
0	UK Shared Prosperity Fund	(11)
(22,627)	**Total Capital Grants Receipts in Advance**	**(20,557)**

Long Term Creditors and receipts in advance relate to Section 106 agreements received that will be payable after 12 months. These are funds that have been received as part of planning consents agreed by the Council for further amenity work and projects that will be ongoing as part of a development. The long-term element of these amounts to £1,591,624 in 2022/23 (2021/22: £1,572,482).

4.42 Borrowing

31-Mar-22 £000		31-Mar-23 £000
	Short -term	
493	Public Works Loan Board (inc. accrued interest)	493
13	Other borrowing (Trust Funds)	13
506		506
	Long term	
12,338	Public Works Loan Board	11,863
12,338		11,863
12,844	**Total**	**12,369**

4.43 Provisions

The movement in provisions during 2022/23 was as follows:

	1 April 2022 £000	Additions in year £000	Used in year £000	Unused Amounts reversed £000	31 March 2023 £000
Insurance Claims	61	39	(4)	0	96
Cemeteries Perpetuity Fund	75	2	(2)	0	75
Land Charges Provision	34	0	0	0	34
Rickergate Properties Ringfenced Account	178	12	(28)	0	162
Other Provisions	183	28	(24)	0	187
Total	**531**	**81**	**(58)**	**0**	**554**
Business Rate Appeals (Council Share)	767	0	(415)	226	578
Total (All Provisions)	**1,298**	**81**	**(473)**	**226**	**1,132**
Split as:					
Falling due within 1 year	828	39	(419)	226	674
Falling due after 1 year	470	42	(54)	0	458

(i) Insurance Claims

The Council has established a provision totalling £95,545 to meet insurance claims arising from public liability, employer's liability, motor vehicle and other claims. This figure is based on the estimated gross value of claims against the Council at 31 March 2023 and the insurance provision will therefore cover this value in full. However, it is expected that £71,742 will be reimbursed by the Council's insurers and through other third-party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

(ii) Cemeteries Perpetuity Fund

This fund is used to maintain and repair cemetery headstones where owners cannot be contacted. It was agreed in 2009 to use the fund to carry out essential repair work on memorials.

(iii) Land Charges Provision

A provision set up to meet the potential liabilities of claims relating to potential refunds of personal search fees.

(iv) Rickergate Properties Ringfenced Account

This provision was previously held as a creditor and represents the net income from properties purchased in Rickergate with funds from North West Regional Development Agency. The Homes and Communities Agency have now taken over control of this scheme and have informed the Council that this income does not need to be repaid to it as was previously the case and can be used to fund any future costs on the scheme with their approval.

(v) Other Provisions

The Council holds other minor provisions for liabilities with uncertain timing or amounts.

(vi) Business Rate Retention Appeals

Following introduction of the business rates retention scheme on 1 April 2013, the Council assumed a share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list.

The provision of £578,324 £ represents the Council's share (40%) of the total provision of £1,445,811 at 31 March 2023 in respect of the potential refund of business rates income for years up to and including 2022/23.

4.44 Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these will not become payable until relevant employees retire, the Council has a commitment to make the payments that should be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme. Prior to local government reorganisation on 1 April 2023, the scheme was administered by Cumbria County Council (the Administration Authority). From 1 April 2023 responsibility for scheme administration passed to Westmorland and Furness Council. This is a funded defined benefit scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Council’s own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

The LGPS is a statutory scheme operated under a regulatory framework established under the Superannuation Act 1972. This framework sets out the administrative arrangements and processes for the Scheme, specifies the nature and amounts of benefits payable and establishes the basis for calculating contributions payable to the fund by the Authority and its employees.

The Cumbria Local Government Pension Scheme is a multi-employer arrangement under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.

The Scheme provides defined benefits to members (retirement lump sums and pensions) determined by reference to a formula based on employees earnings and years of service. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a “final salary” scheme) for service up to 31 March 2014 and revalued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

Governance

Prior to local government reorganisation, governance of the Scheme was the responsibility of Cumbria County Council's Pensions Committee. The functions and responsibilities of the Committee include:

- exercising the Council’s functions as the delegated decision making body of the Administering Authority for the management of the Cumbria LGPS, which includes its involvement in the Border to Coast Pensions Partnership (BCPP) as the Council’s approved Pension Pool
- reviewing and approving amendments to the statutory policy documents (i.e. Funding Strategy Statement, Governance Policy Statement, Admissions and Terminations Policy, Administration and Communications Policy, Discretions Policy, Cash Investment Policy, and Investment Strategy Statement)
- approving the formal triennial actuarial valuation
- submitting the Pension Fund Accounts to the Council
- submitting reports to the Council updating it on the governance, risk monitoring and performance of the Scheme
- receiving and where necessary instructing corrective action, in response to internal and external auditor reports
- reviewing and approving the Scheme’s Training Policy
- approving the Annual Business Plan and associated Budget and reviewing performance against this throughout the year.

Advice was provided to the Pension Committee by Cumbria County Council's Section 151 Officer, the County Council’s finance team and by two independent advisers. The advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme. Services are also provided by the scheme actuary (Mercers), and by other consultants and lawyers for investment management services.

The Cumbria Pensions Investment Sub Group advises the Section 151 Officer in the exercise of their delegated powers to appoint and terminate the appointment of investment managers with holdings of less than 5% of the Fund.

The Investment Sub Group consider and continually review the investment management structure for the Pension Fund and are responsible for advising the Section 151 Officer on the appointment and termination of investment managers (under 5%) and the establishment and review of performance benchmarks and targets for investment. The Group also consider the detail of any regulatory changes to investment limits or national policy changes that are made in this area, reporting to the Pensions Committee on their findings and recommendations.

The Pensions Committee is assisted in all aspects of its functions relating to governance and administration of the scheme by the Cumbria Pensions Board (‘the Board’). Constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014, the Board is responsible for assisting the Administering Authority to:

- secure compliance with the regulations and other legislation relating to the governance and administration of the Cumbria LGPS
- comply with the requirements of the Pensions Regulator in relation to governance and administration of the Cumbria LGPS
- ensure the effective and efficient governance and administration of the scheme.

The Board has no remit as a decision making body.

The policy framework and all aspects of management of the Scheme are set out in the various Scheme Policy Statements. These include:

- The Governance Policy Statement, which sets out the roles and responsibilities, describes risk management and reports compliance against a set of best practice principles
- The Administration Strategy & Communications Policy, which details the formal arrangements for pensions and benefits administration for the Scheme and the communications with members, employers and pensioners
- Investment Strategy Statement, detailing how the Scheme's assets are invested, the fund managers and benchmarks and the Scheme's compliance with best practice in investment decision-making (Myners Principles) and the Financial Reporting Council's UK Stewardship Code
- Cash Investment Policy, governing management of the Scheme's cash, bank account and investment of surplus cash
- Funding Strategy Statement, which identifies how the Scheme's pension liabilities will be funded in the longer term and addresses solvency issues
- Admissions and Termination Policy, detailing the policy on employer admissions and the methodology used to calculate termination payments on cessation of participation in the Scheme
- Discretions Policy, setting out the policy regarding the exercise of certain discretions to assist in the management of the Scheme
- Training Policy, setting out the policy on the training and development of members of all committees and officers responsible for management of the Scheme
- Policy & Procedure on Reporting breaches of the law which sets out the policy and procedures to be followed by persons involved with the Cumbria LGPS in relation to reporting breaches of the law
- Internal Controls and Risk Management policy which sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk.

Further details relating to governance of the Scheme (including risk management) can be found in the Scheme's Governance Policy Statement. This is included in the Cumbria LGPS Fund Policy Document, published on-line at: https://www.cumbriapensionfund.org

(a) Transactions Relating to Retirement Benefits

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

2021/22 £000		2022/23 £000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services	
4,828	Current Service Costs	5,123
90	Past Service Costs / (Gain)	92
78	(Gains)/Losses from Settlements	604
	Financing and Investment Income & Expenditure	
1,075	Net Interest Expense	1,123
6,071	**Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services**	**6,942**
	Other Comprehensive Income and Expenditure	
	Remeasurements of the net defined benefit liability comprising:	
(13,094)	Return on Plan Assets (excluding the amount included in the net interest expense)	13,045
(1,722)	Actuarial (Gains) and losses arising on changes in demographic assumptions	(5,254)
0	Actuarial (gains) and losses arising on changes in financial assumptions	(89,951)
593	Experience (Gains)/Losses	16,313
0	Effect of the asset ceiling	22,210
(14,223)	**Total Other Comprehensive Income & Expenditure**	**(43,637)**
(8,152)	**Net Charge to the Comprehensive Income & Expenditure Statement**	**(36,695)**
	Movement in Reserves Statement	
6,071	Reversal of net charge made for retirement benefits in accordance with IAS 19	6,942
(2,627)	Actual amount charged against the General Fund Balance for pensions in the year	(3,331)
3,444	**Contribution (to) / from Pension Reserve**	**3,611**

(b) Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet in respect of the Local Government Pension scheme is as follows:

31 March 2022 £000		31 March 2023 £000
225,958	Present value of the defined benefit obligation - Funded Liabilities	154,132
2,507	Present value of the defined benefit obligation - Unfunded Liabilities	1,727
228,465	Total - Defined Benefit Obligation	**155,859**
(186,712)	Fair Value of Plan Assets	(176,342)
41,753	**Net Liability arising from defined benefit obligation**	**(20,483)**
0	Asset Ceiling adjustment (Remeasurement) (1)	22,210
41,753	**Net Liability arising from defined benefit obligation**	**1,727**

(1) 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.

For funded liabilities at 31 March 2023, the estimated present value of minimum funding contributions exceed the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling for funded liabilities 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

(c) Reconciliation of the Movement in Fair Value of the scheme (Plan assets):

31 March 2022 £000		31 March 2023 £000
172,651	Fair Value of plan assets at beginning of period (1 April)	186,712
3,599	Interest on Plan Assets	5,194
	Remeasurement gain/(loss):	
13,094	The return on plan assets, excluding the amount included in the net interest expense	(13,045)
(93)	Other - Administration Expenses	(100)
2,627	Employer Contributions	3,331
757	Member Contributions	826
(5,923)	Benefits/transfers paid	(6,576)
186,712	**Fair Value of plan assets at end of period (31 March)**	**176,342**

(d) Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation):

31 March 2022 £000		31 March 2023 £000
225,183	Benefit Obligation at beginning of period (1 April)	228,465
4,735	Current Service Cost	5,023
4,674	Interest on Pension Liabilities	6,317
757	Member Contributions	826
	Remeasurement (Gains) and Losses:	
593	Experience (Gains)/losses	16,313
(1,722)	Actuarial (Gains)/losses arising from changes in demographic assumptions	(5,254)
0	Actuarial (Gains)/Losses arising from changes in financial assumptions	(89,951)
90	Past Service Cost / (gain)	92
78	Losses/(Gains) on Curtailments	604
(5,923)	Benefits/transfers paid	(6,576)
228,465	**Benefit Obligation at end of period (31 March)**	**155,859**

The Pension Liability reported in these statements takes account of the judgement made in the Court of Appeal in the Sargeant/McCloud cases that ruled that the transitional protections afforded to older members when the Public Service Pension schemes were amended, constituted unlawful age discrimination.

In 2016 and 2017, two employment tribunal cases (the McCloud and Sargeant cases) were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These two cases were appealed to the Employment Appeal Tribunal and subsequently to the Court of Appeal. In December 2018, the Court of Appeal ruled in the Sargeant and McCloud cases (generally referred to for the LGPS as “McCloud”) that these transitional protections were unlawful on the grounds of age discrimination.

Whilst the judgements in the McCloud and Sargeant cases relate specifically to the Firefighter and Judicial pension schemes, the government has accepted that remedies relating to the McCloud judgement will need to be applied to all public service schemes including the LGPS. In July 2020, DLUHC published a consultation on proposed remedies for the LGPS to remove age discrimination. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer has a benefit entitlement from the Fund). A government response to the consultation was published in April 2023 alongside an announcement of a further period of consultation.

Although amendments to the regulations underpinning the LGPS are not expected to come into force until 1 October 2023, the outcome of the two tribunals is nevertheless deemed to provide sufficient evidence of a legal obligation under age-discrimination legislation, resulting in a liability. As a consequence the IAS 19 post-employment benefit (LGPS) liabilities have since March 2020, included an allowance the additional liabilities arising from the McCloud judgement. This allowance is substantially in line with the remedy proposed by DLUHC. In 2022/23 no further adjustments were required in relation to the McCloud judgement.

(e) Composition of Local Government pension scheme assets

31.3.22 £000		31.3.23 £000
65,536	Equity Investments	64,540
31,554	Government Bonds	24,688
16,991	Property	13,579
5,228	Cash/Liquidity	4,762
67,403	Other Assets	68,773
186,712		**176,342**

(f) 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. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2022 (2021/22: 31 March 2019).

The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following table:

2021/22		2022/23
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.60	Men	21.90
25.30	Women	24.20
	Longevity at 65 for future pensioners:	
24.10	Men	23.30
27.10	Women	26.00
3.40%	Rate of Inflation (CPI)	2.70%
4.90%	Rate of Increase in Salaries	4.20%
3.50%	Rate of increase in Pensions	2.80%
2.80%	Rate of discounting Scheme Liabilities	4.80%

(g) Sensitivity Analysis

The estimated defined benefit obligation is sensitive to changes in the actuarial assumptions set out in the preceding table. The sensitivity analysis below shows how the defined benefit obligation would have been affected by reasonably possible changes in the actuarial assumptions at the balance sheet date. The impact of the change in each assumption assumes that all other assumptions remain constant. The estimations in the sensitivity analysis are calculated on an actuarial basis using the projected unit credit method.

2022/23 £000		+0.5% p.a. discount Rate £000	+0.25% p.a. inflation £000	+0.25% Pay Growth £000	1 Year Increase in Life Expectancy £000	+/-1% change in 2022/23 investment returns +1% £000	-1% £000
155,859	Liability	143,957	162,280	156,780	159,083	155,859	155,859
(176,342)	Assets	(176,342)	(176,342)	(176,342)	(176,342)	(178,093)	(174,591)
(20,483)	**Deficit / (Surplus)**	**(32,385)**	**(14,062)**	**(19,562)**	**(17,259)**	**(22,234)**	**(18,732)**
2,194	Projected Service Cost for Next Year	1,883	2,375	2,194	2,248	2,194	2,194
(1,019)	Projected Net Interest Cost for Next Year	(1,756)	(706)	(970)	(860)	(1,103)	(935)

(h) Risks and Investment Strategy

The principal risks to the Authority of the Scheme are those associated with longevity (life expectancy) assumptions, structural changes (i.e. large scale withdrawals from the scheme), changes to inflation and financial risks associated with the Scheme's investment activities.

The Scheme's primary long-term risk is that scheme assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of the Scheme's investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Scheme with maximising the opportunity for gains across the whole Scheme portfolio. The Scheme achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Scheme manages its liquidity risk to ensure there is sufficient liquidity to meet forecast cash flows.

The Scheme currently holds assets across a range of products and investment (fund) managers to diversify risk. Allocations to both fund managers and asset classes are reviewed on an ongoing basis by the Scheme's Officers and Independent Advisors. The Pensions Committee additionally undertake further oversight and monitoring through quarterly review of the Scheme monitoring report. Strategic asset allocation receives a high level of attention and a full strategy review is undertaken every three years following the Actuarial Valuation. The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the County Council, District Councils and other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

Details of the Scheme's Investment Strategy and how it manages risk and return issues relative to the Scheme's investment objectives, are outlined in the Scheme's Investment Strategy Statement. The Investment Strategy is kept under continual review in conjunction with evaluation of the Scheme's Funding Strategy Statement. The Funding Strategy Statement sets out how solvency and other risks will be managed with regard to the Scheme's underlying pension liabilities. Its purpose is to:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities
- support the regulatory requirement for contributions rates to be sufficient to secure the scheme's solvency within an appropriate deficit recovery period
- have regard to the desirability of employer contribution rates remaining as stable as possible.

In setting and reviewing the Investment Strategy, the Administering Authority is required to take account of the form and structure of liabilities. Further details of the Scheme's exposure to financial risks in relation to investing activities and the strategies used to manage those risks are outlined below.

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term.

To mitigate market value risk, the scheme has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The Scheme has also adopted benchmark limits on the different types of investments (asset classes) held. These are designed to diversify the risk and minimise the impact of poor performance in a particular asset class by achieving a spread of investments across both the main asset classes and geographic/political regions within each asset class. Mitigation against market risk is also achieved by diversifying across multiple investment managers and by regularly reviewing the Investment Strategy and performance of the Scheme.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk (that is risks, other than those arising from interest rate risk or currency risk, caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market).

Interest Rate Risk: The Scheme invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk: The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. The Scheme seeks to mitigate losses due to adverse movements in foreign currency exchange rates through investing in a diversified portfolio of assets, using active management and private market funds that are currency-hedged back to sterling where possible.

Credit/Counterparty risk: Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The creditworthiness of all counterparties and the scheme's exposure to credit and counterparty risk is reviewed on a regular basis.

Liquidity risks

Liquidity risk represents the risk that the Scheme will not be able to meet its financial obligations as they fall due. To mitigate this risk the Fund undertakes cash flow planning, monitoring and management throughout the year and works closely with the Fund's investment advisors and actuary to consider the options to address any potential cash flow implications.

Other risks

Actions taken by the Government, or changes to legislation, could result in stronger local funding standards, which could materially affect the Authority's cash flow.

In addition, there is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

(i) Impact on the Council's Cash Flow

Funding the liabilities

Regulations governing the scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require contributions to be set with a view to targeting the Scheme's solvency. Detailed provisions are set out in the Scheme's Funding Strategy Statement.

The most recent actuarial valuation was carried out as at 31 March 2022. This showed an excess of assets over liabilities of £0.309 billion (assets of £3.318 billion against accrued liabilities of £3.009 billion), equivalent to a solvency funding level of 110% of the Scheme's liabilities. At the previous valuation (31 March 2019) the shortfall of assets against liabilities of £0.028billion (assets of £2.703 billion against accrued liabilities of £2.731 billion), equivalent to a solvency funding level of 99% of the Scheme's liabilities. The key reasons for the changes between the two valuations include the level investment returns achieved compared to assumptions, changes to life expectancy assumptions less the impact of observed inflation during the period September 2021 to March 2022.

Projected contributions to the scheme in 2023/24

Projected employer contributions which the Authority expects to pay in 2023/24 is £1.502million (2022/23: £2.523million). This comprises normal contributions of £1.299million (2022/23: £2.305million) and a recharge of unfunded benefits of £0.203million (2022/23: £0.218million).

The weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 17 years (2021/22: 17 years).

4.45 Financial Instruments

(a) Financial Instruments by category

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories as defined in IFRS 9 and the Code of Practice on Local Authority Accounting. The accounting policies set out in section 6 provide a description of each category of financial assets and financial liabilities and the related accounting policies

Financial Assets

At 31 March 2023	Note	Amortised Cost £000	Fair value through profit or loss £000	Non IFRS 9 financial assets £000	Total for line item £000
Long-term investments	4.36	0	3,229	0	**3,229**
Long-term debtors	-	6	0	0	**6**
Short-term investments	4.36	19	0	0	**19**
Cash & cash equivalents	4.39	3,166	0	0	**3,166**
Short- term debtors	4.37	2,104	0	5,990	**8,094**
Total for Category		**5,295**	**3,229**	**5,990**	**14,514**

At 31 March 2022	Note	Amortised Cost £000	Fair value through profit or loss £000	Non IFRS 9 financial assets £000	Total for line item £000
Long-term investments	4.36	0	3,867	0	**3,867**
Long-term debtors	-	99	0	0	**99**
Short-term investments	4.36	12,007	0	0	**12,007**
Cash & cash equivalents	4.39	17,277	0	0	**17,277**
Short- term debtors	4.37	2,478	0	7,755	**10,233**
Total for Category		**31,861**	**3,867**	**7,755**	**43,483**

Financial Liabilities

At 31 March 2023	Note	Amortised Cost £000	Non IFRS 9 financial liabilites £000	Total for line item £000
Short-term borrowing	4.42	506	0	**506**
Short-term creditors	4.40	5,964	3,347	**9,311**
Long-term creditors	4.41	1,592	0	**1,592**
Long-term borrowing	4.42	11,863	0	**11,863**
Total for Category		**19,925**	**3,347**	**23,272**

At 31 March 2022	Note	Amortised Cost £000	Non IFRS 9 financial liabilites £000	Total for line item £000
Short-term borrowing	4.42	506	0	**506**
Short-term creditors	4.40	7,163	7,373	**14,536**
Long-term creditors and RIA	4.41	1,572	0	**1,572**
Long-term borrowing	4.42	12,338	0	**12,338**
Total for Category		**21,579**	**7,373**	**28,952**

(b) Fair value of financial assets and financial liabilities measured at fair value on a recurring basis

Financial Instruments classified at Fair Value through Profit or Loss

Fair value is 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 following table shows the levels within the fair value hierarchy of financial assets measured at fair value on a recurring basis:

31-Mar-22 £000	Financial assets carried at fair value	Note	Level	31-Mar-23 £000
3,867	CCLA - Local Authorities Property Investment Fund	4.36	1	3,229
0	Money Market Funds		1	0
3,867	**Total for Category**			**3,229**

CCLA - Local Authorities' Property Fund - level 1

At 31 March 2023 the Council held one financial asset classified at Fair Value through Profit or Loss. This is the long-term investment held in the CCLA Local Authorities' Property Fund property fund. The Fund is an actively managed, diversified portfolio of UK commercial property. The Fund aims to provide a high level of income and long-term capital appreciation.

The Council originally invested £3million (excluding entry costs) in 2014/15. At 31 March 2023 the fair value of the Council's investment of 1,120,239 units, based on the unadjusted quoted market price (net asset value per unit) within the bid-ask spread was £3.229million.

Fair value gains from this investment are held in the Pooled Investment Fund Adjustment account.

Money Market Funds - level 1

The Council's investments in money market funds are held in low volatility net asset value funds and are classified at Fair Value through Profit or Loss. The (quoted) fair value of these funds is represented by the par value of principal sums invested plus interest (dividends) earned but not yet received.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year**.**

Changes in the Valuation Technique

There has been no change in the valuation techniques used during the year for the financial instruments.

(c) Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- Short-term debtors, cash and cash equivalents, short-term creditors and bank overdrafts
- Long-term debtors
- Other short term borrowing maturing within 12 months of the balance sheet date.

For those financial assets and liabilities whose carrying value does not approximate fair value, the following table presents a comparison, by class, of the carrying amounts and fair value.

At 31 March 2023	Carrying Value £000	Fair Value			
		Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets	0	0	0	0	**0**
Financial Liabilities					
PWLB loans	(12,356)	0	0	(8,918)	**(8,918)**
At 31 March 2023	**(12,356)**	**0**	**0**	**(8,918)**	**(8,918)**

At 31 March 2022	Carrying Value £000	Fair Value			
		Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets	0	0	0	0	**0**
Financial Liabilities					
PWLB loans	(12,831)	0	0	(11,470)	**(11,470)**
At 31 March 2022	**(12,831)**	**0**	**0**	**(11,470)**	**(11,470)**

The fair value of financial asset and liabilities not measured at fair value and included in levels 2 and 3 in the above table, have been estimated using a discounted cash flow analysis.

PWLB Debt

The fair value of PWLB loans is measured by calculating the present value of the cash flows relating to principal and interest that will take place over the remaining term of each loan. Cash flows are discounted using the PWLB new borrowing (certainty rate) discount rates for loans of a similar maturity at the measurement date.

The fair value measurement of financial liabilities, including PWLB debt, assumes that the financial liability is transferred to a market participant at the measurement date and would:

- remain outstanding with the market participant transferee required to fulfil the obligation
- not be settled with the counterparty or otherwise extinguished on the measurement date.

When a quoted price for the transfer of an identical or a similar liability is not available and the identical item is held by another party as an asset, the fair value of the liability is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date.

The fair value of PWLB debt of £8.918million (31.3.22: £11.470million) does not represent the amount at which the Authority could settle, prematurely, its outstanding loans with the PWLB. At the balance sheet date, the amount payable by the Authority to repay its PWLB debt prematurely - measured using PWLB premature repayment rates - is £9.829million (31.3.22: £12.866million).

4.46 Nature and extent of risks arising from financial instruments

(a) Risk management objectives and policies

The Council is exposed to various (financial) risks in relation to financial instruments. The main types of risks are:

- **Credit risk** - the risk that a party to a financial instrument will cause a financial loss for the Council by failing to discharge an obligation
- **Liquidity risk** - the risk that the Council will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. It includes the inability to obtain finance or to re-finance existing borrowing as it falls due in order to meet cash flow obligations, or that refinancing can only be achieved on terms that are unfavourable and/or inconsistent with prevailing market conditions at the time
- **Market risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:
    - (i) **Interest rate risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates
    - (ii) **Currency risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates
    - (iii) **Price risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance team, under policies approved by Council in the Annual Treasury Management Strategy Statement. The Council also maintained Treasury Management Practices (TMP's) setting out the principles for the management of risks associated with treasury management activity.

(b) Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures associated with trade and other receivables.

Credit Risk Management Practices

The Council's credit risk management practices are set out in section 10 and appendix B of the Treasury Management Strategy Statement.

Credit risk arises from deposits and investments with banks and other financial institutions, as well as credit exposures associated with trade and other receivables.

The Council's primary policy objective is to ensure the security of the principal sums invested in priority to liquidity and yield. Credit risk exposures are managed by:

- restricting the counterparties with whom investments based on an assessment of the creditworthiness of the counterparty using credit ratings provided by the three main agencies (Fitch, Moody's and Standard and Poor) coupled with credit watches and credit outlooks, CDS spreads ,and sovereign ratings
- placing restrictions on the types of investment instruments that may be used
- setting limits on the principal amounts invested and duration of individual instruments dependent on the financial standing (creditworthiness) of the counterparty.

Investments are not placed with credit rated banks and other financial institutions unless they have a minimum credit rating of Short-term P1, Support C or equivalent (Based on Moody's Credit Ratings). Some investments are placed with Building Societies that do not have a formal credit rating. This policy is dictated by the size of the Society (minimum £1billion Assets) and is grounded upon the strict regulatory regime with which all building societies must comply. The Council has a policy of not lending more than £6million of its surplus balances to any one appropriately credit rated institution (specific counterparties have been increased to £10million), with no more than 50% held as non-specified investments i.e. investments with a period to maturity of more than one year or placed with an institution without a formal credit rating.

Credit ratings are kept under regular review and ratings watch notices - indicating imminent downgrading or upgrading of a credit rating - acted upon.

Impairment of financial assets

The Council recognises an allowance for expected credited losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments

Trade Receivables

For trade receivables and contract assets, the Council applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit loss on these financial assets is estimated using historical credit loss experience, adjusted for factors that are specific to individual debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

In measuring the expected credit losses, significant trade receivable balances are assessed individually for impairment where specific information regarding recoverability of the debt is available. Trade receivables not assessed individually are assessed on a collective basis based on shared risk characteristics and days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis, the expected loss allowance for trade and other receivables at 31 March 2023 and 31 March 2022 is as follows:

2021/22 £000		2022/23 £000
	Trade & Other Receivables	
8,118	Not past due	6,110
699	Less than three months	511
6	Three to five months	14
438	More than five months	224
9,261	**Total (gross arrears)**	**6,859**
	Loss allowance:	
0	determined on an individual basis	0
(27)	determined on a collective basis	(23)
(27)	**Total - Loss allowance**	**(23)**

The closing balance of the trade receivables loss allowance at 31 March 2023 reconciles with the trade receivables loss allowance opening balance as follows:

2021/22 £000		2022/23 £000
(35)	Opening loss allowance at 1 April	(27)
(2)	Loss allowance recognised during the year	(13)
3	Receivables written off during the year	17
7	Loss allowance unused and reversed during the year	0
(27)	**Total**	**(23)**

Deposits and investments with banks and other financial institutions measured at amortised cost

All short-term investments with banks and other financial institutions (including those classified as cash and cash equivalents), are considered to have low credit risk given their high external credit ratings and the strong capacity of the investment counterparties to meet their contractual cash flow obligations. As such, the Council assumes the credit risk on these financial instruments has not increased significantly since initial recognition (as permitted by IFRS 9) and recognises 12-month ECLs for these assets. The Council considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. At 31 March, investments held with banks and other financial institutions classified as cash and cash equivalents and measured at amortised cost comprise:

Counterparty	Principal £000	Credit Rating
HSBC UK Bank Plc	2,460,000	A+
HSBC UK Bank Plc - Current account	355,895	A+
NatWest Market Plc- Current account	347,278	A-
	3,163,173	

Historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard & Poor's, shows the probability of default for assets rated A/AA at between 0.02% and 0.05% (2021/22: 0.02% to 0.05%). The 12-month expected credit loss on these assets at 31 March 2023 and 31 March 2022 is therefore not material.

(c) Liquidity Risk

The Council's policy is to ensure:

- it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives
- borrowing is negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council manages its liquidity needs by:

- effective cash flow forecasting and monitoring of cash balances across various time horizons
- maintaining prudent levels of liquid funds in call accounts, Money Market funds and other short term instruments
- monitoring scheduled debt servicing payments for long term financial liabilities and setting limits on the amount of borrowing that matures within any specified period.

The Council also has ready access to borrowing from the Public Works Loans Board. As a consequence, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This is managed through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments in order to limit the amount of fixed rate borrowing that matures within any specified period.

The contractual maturity analysis of loans and borrowings within financial liabilities is as follows:

2021/22 £000		2022/23 £000
696	Less than 1 year	689
676	Between 1 and 2 years	668
1,983	Between 2 - 5 years	1,961
12,879	Over 5 years	12,234
16,234		15,552
(3,409)	Effect of discounting	(3,201)
18	Interest accrual	18
12,843	**Total**	**12,369**

(d) Interest Rate Risk

The Council is exposed to interest rate risk on its borrowings and investments.

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 will affect the General Fund Balance.

Movements in the fair value of fixed rate investments classified as fair value through profit or loss, will be reflected in in the Surplus or Deficit on the Provision of Services. Changes in the fair value of fixed rate investments classified and measured at amortised cost, do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Borrowings are not carried at fair value. Nominal gains and losses on fixed rate borrowings do not therefore impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council's policy objective is to manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

The Council manages its exposures by borrowing mainly at fixed rates, by placing limits on the proportions of fixed and variable rate borrowings and investments and by the use of variable rate debt instruments to offset exposure to changes in short-term rates on investments.

At 31 March 2023 all PWLB borrowing was at fixed rates (2022: 100%).

Price risk

The Council's investment in the CCLA Local Authorities Property Fund is classified and measured at fair value through profit or loss, meaning that all movements in price impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services.

The Council consequently has exposures to gains and losses arising from movements in the market price of this investment.

A general shift of 5% in the general price of these instruments (positive or negative) would thus have resulted in a gain or loss of approximately £161k being recognised in the Surplus or Deficit on the Provision of Services.

However, under Regulation 30K of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, such gains and losses amounts are not currently a proper charge or credit to the General Fund and must instead be charged or credited to the pooled investment funds adjustment account.

Currency risk

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

4.47 Cash Flow Statement – Operating Activities

2021/22 Restated £000		2022/23 £000
(372)	(Surplus) / Deficit on the Provision of Services	**23,040**
	Adjustments to the net surplus or deficit on the provision of services for non cash movements	
(2,484)	Depreciation and downward revaluation charges	(6,164)
1,482	Movement in Fair Value of Investment Properties	(2,292)
(382)	Carrying amount of non current assets sold	(8,015)
(3,444)	Pension (IAS 19)	(3,611)
15	Increase/(decrease) in inventories	9
5,955	Increase/(decrease) in debtors	31
(1,453)	(Increase)/decrease in creditors	4,686
589	Other non-cash items charged to net surplus/deficit on provision of services	(638)
278		**(15,994)**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
80	Proceeds from the sale of property plant and equipment, investment property and intangible assets	254
1,869	Capital Grants charged to Comprehensive Income and Expenditure	962
1,949		**1,216**
1,855	**Net Cash Flow from Operating Activities**	**8,262**
	Shown within Net Cash Flow from Operating Activities	
214	Interest Paid	207
(186)	Interest Received	(656)
28		**(449)**

4.48 Cash Flow Statement – Investing and Financing Activities

2021/22 Restated £000		2022/23 £000
	Investing Activities	
18,611	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	10,540
20,000	Purchase of Short Term and Long Term Investments	16,000
(10)	Other Payments for Investing Activities	0
(87)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(254)
(13,000)	Proceeds from Short Term and Long Term Investments	(28,000)
(22,461)	Other Receipts from Investing Activities	(1,624)
3,053	**Net Cash Flows from Investing Activities**	**(3,338)**
	Financing Activities	
475	Repayments of short and long term borrowing	475
(9,292)	Movement in relation to Business Rates and Council Tax	(1,613)
(6,566)	Council tax and Energy Support Funding	10,325
(15,383)	**Net Cash Flows from financing Activities**	**9,187**

4.49 Reconciliation of Liabilities arising from Financing Activities

Changes in liabilities arising from financing activities are classified as follows:

	1 April 2022 £000	Financing cash flows £000	Other changes Acquisition £000	Other changes Other [1] £000	31 March 2023 £000
Long-term borrowings	(12,338)	0	0	475	(11,863)
Short-term borrowings	(506)	475	0	(475)	(506)
	(12,844)	475	0	0	(12,369)
Billing Authorities - Council Tax and NNDR adjustments[2]	5,825	(1,613)	0	0	4,212
Covid-19 Funding (grant payments to businesses)[3]	(3,316)	3,316	0	0	0
Council Tax rebate & Energy Support Funding[3]	(7,083)	7,009	0	0	(74)
Total Liabilities from financing activities	**(17,418)**	**9,187**	**0**	**0**	**(8,231)**

	1 April 2021 £000	Financing cash flows £000	Other changes Acquisition £000	Other changes Other [1] £000	31 March 2022 £000
Long-term borrowings	(12,813)	0	0	475	(12,338)
Short-term borrowings	(506)	475	0	(475)	(506)
	(13,319)	475	0	0	(12,844)
Billing Authorities - Council Tax and NNDR adjustments[2]	15,117	(9,292)	0	0	5,825
Covid-19 Funding (grant payments to businesses)[3]	(3,833)	517	0	0	(3,316)
Council Tax rebate & Energy Support Funding[3]	0	(7,083)	0	0	(7,083)
Total Liabilities from financing activities	**(2,035)**	**(15,383)**	**0**	**0**	**(17,418)**

[1]Other [non-cash] changes includes the effect of reclassification of non-current portion of interest-bearing loans and the effect of loan interest accrued but not yet paid. The Authority classifies interest paid as cash flows from operating activities.

[2] Billing Authorities - Council Tax and NNDR adjustments comprise the difference between the:

- major preceptors' share of net cash collected from council tax payers and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund
- central government and the major preceptors' share of net cash collected from non-domestic rating debtors and net cash paid to central government and major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund for NNDR income.

[3] Covid-19 Funding (grant payments to businesses) and Council Tax rebate and Energy Support Funding comprises the difference between grant funding received by the Authority and grant payments made to local business and individuals, in respect of financial support packages for which the Authority is acting as an intermediary (agent) for the relevant central government department.

4.50 Leases

Council as Lessor

The Council acts as lessor in respect of land and property owned by it and leased to tenants, and for sub-leases on contract hire cars supplied to its staff. The value of the income from rents associated with these agreements and included within the Council's Comprehensive Income and Expenditure Statement in 2022/23 was £4.063million (£4.249million 2021/22). At 31 March 2022 the minimum lease payments under operating leases and contract hire agreements were as follows:

2021/22 £000	Future Minimum lease payments receivable	2022/23 £000
998	Not later than 1 year	1,187
3,597	Later than 1 year and not later than 5 years	4,372
49,970	Later than 5 years	54,896
54,565	**Total**	**60,455**

The capital value held within the balance sheet at 31 March 2023 in respect of land and property generating leasehold income is £95.469million (£97.773million 2021/22). This figure represents the gross value of the Investment Properties and as these are non-operational non-current assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £3,204,822; (2021/22: £3,120,855).

4.51 Related Parties

The Council is required to disclose material transactions with related parties. These include a person (or close family member of that person) or an entity, that either controls or significantly influences the decisions and operations of the Council or vice-versa.

Related parties of the Council include elected members, chief officers and entities controlled or significantly influenced by the Council. It also includes the UK Government which exerts significant influence through legislation and grant funding. 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. Transactions with related parties disclosed within the financial statements and supporting notes are as follows:

a) Transactions and balances with Central Government, NHS bodies and other local authorities (including parish councils) are disclosed within the Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement
b) Transactions and balances with the County Council, Central Government and Police and Crime Commissioner - in respect of council tax and NNDR - are disclosed in the Collection Fund Account and supporting notes
c) Transactions and balances with the Pension Fund are summarised in note 4.44
d) Remuneration of key management personnel is disclosed in note 4.19 - Members' Allowances and note 4.21 – Senior Officers' Remuneration.

4.52 Contingent Assets and Liabilities

(a) Home Group

During 1992/93 the City Council entered a joint scheme with Home Group to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton to provide houses to rent. To fund the development programme, Home Group have raised a total of £100million through a stock issue, which will mature in 2037. In order to enable Home Group to raise private finance from institutional investors all participating authorities, of which there were 29 in total, were required to enter into a standard form of guarantee in which they jointly and severally guaranteed the loan stock raised by Home Group.

The maximum liability of each authority under the guarantee is £100million but because the liability is jointly and severally guaranteed, authorities would not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the stock issue under their individual guarantee. Accordingly, there is a counter indemnity and contribution arrangement whereby each participating authority undertakes to reimburse any other authority, or authorities, paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the guarantee were called in, the worst situation for this Council would be that once it had recovered any contribution from other authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 31 March 2023 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Group and selling them on.

(b) Riverside (Formerly Carlisle Housing Association (CHA))

On 9 December 2002 the City Council completed the transfer of its housing stock to Riverside. Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non-environmental warranties in favour of Riverside and lenders to the Association for periods of 25 years and 18 years respectively. The Council had insurance cover in place to meet the cost of claims arising from any breach of the environmental warranties in the first 12 years following the date of transfer. The reserve to the value of £488,000 which was set up to meet the future cost of insurance premiums in years 13 to 25 (£292,000) and the potential costs of any future claims (£196,000) was transferred into the General Fund Balance during 2015/16. In the period from the date of the transfer to 31 March 2023, the Council has not received any claims in respect of either environmental or non-environmental warranties.

(c) Environmental Enhancements

The Council recognises its responsibilities in relation to potential contamination works in the Carlisle area. Any potential works required would be included in the Council's capital programme as required.

(d) Business Rate Appeals

A provision has been included within the Collection Fund in relation to likely appeals made against Business Rates up to 31 March 2023. Local businesses can appeal against the rating list in 2017/18 and beyond. Because most appeals against the 2010 Rating List will now have been lodged, it is difficult to quantify any potential new appeals against the updated 2017 list. Due to the uncertainty around these potential appeals the provision that has been included in the accounts is based on historical evidence of appeals being made and being successful, however it is recognised that any appeals could result in a liability for the Council that, if submitted, may not be covered by the appeals provision established.

(e) Dangerous Structures

The Council recognises it may have future responsibilities in relation to potential expenditure on dangerous structures in and around the Carlisle area that pose a risk to public safety in accordance with Section 78 of the Building Act 1984.

(f) Municipal Mutual Insurance (MMI)

The Council has a liability under the scheme of arrangement entered into following the transfer of the assets and goodwill of MMI Ltd. to Zurich Municipal on the 1 April 1993. The liabilities of MMI Ltd were not, however, transferred to Zurich Municipal and the company is exploring ways in which these liabilities can be transferred to another insurance company to enable MMI Ltd. to be wound up.

During 2012/13 the Scheme of Arrangement was triggered giving rise to a liability for the Council. At 31 March 2023 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £1,043,159. An initial levy of 15% was set by the Scheme administrators, Ernst, and Young in January 2014, and this was increased to 25% in April 2016 to achieve a solvent run off for MMI. A total levy of £253,638 has been paid by the Council to date with a further £7,152 potentially required to be paid as at 31 March 2023.

4.53 Events after the Balance Sheet Date

The Statement of Accounts was certified and authorised for issue by the Chief Finance Officer on 30 April 2024.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and/or notes have been adjusted in all material respects to reflect the impact of this information.

SECTION 5 – COLLECTION FUND

5.1 Collection Fund Statement 2022/23

2021/22				2022/23		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
			Income			
70,305	0	70,305	Council Tax receivable	72,945	0	72,945
0	35,070	35,070	Business Rates receivable	0	39,957	39,957
527	23,657	24,184	Contribution towards previous year's estimated deficit	0	7,888	7,888
70,832	**58,727**	**129,559**	**Total Income**	**72,945**	**47,845**	**120,790**
			Expenditure			0
		0	**Precepts**			0
51,932	0	51,932	Cumbria County Council	53,732	0	53,732
9,435	0	9,435	Police and Crime Commissioner for Cumbria	9,922	0	9,922
8,411	0	8,411	Carlisle City Council	8,545	0	8,545
			Business Rates			
0	21,462	21,462	Payments to Central Government	0	20,387	20,387
0	17,416	17,416	Carlisle City Council	0	16,490	16,490
0	4,354	4,354	Cumbria County Council	0	4,122	4,122
0	581	581	Transitional Protection Payments	0	161	161
0	177	177	Cost of Collection	0	178	178
0	685	685	Disregarded Amounts	0	722	722
0	0	0	Contribution towards previous year's estimated surplus	982	0	982
			Bad and Doubtful Debts			
140	423	563	Write Offs of uncollectable amounts	237	152	389
299	(189)	110	Movement in allowance for impairment	248	788	1,036
0	(1,435)	(1,435)	Movement in provision for NNDR appeals	0	(472)	(472)
70,217	**43,474**	**113,691**	**Total Expenditure**	**73,666**	**42,528**	**116,194**
			Movement on Collection Fund			
615	15,253	15,868	**Surplus/(Deficit) for year**	(721)	5,317	4,596
(1,202)	(23,827)	(25,029)	Surplus/(Deficit) at 1 April	(587)	(8,574)	(9,161)
(587)	**(8,574)**	**(9,161)**	**Surplus/(Deficit) at 31 March**	**(1,308)**	**(3,257)**	**(4,565)**

2021/22				2022/23		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
			Allocation of Surplus/(Deficit)			
0	(4,287)	(4,287)	Central Government	0	(1,628)	(1,628)
(71)	(3,430)	(3,501)	Carlisle City Council	(155)	(1,303)	(1,458)
(437)	(857)	(1,294)	Cumbria County Council	(973)	(326)	(1,299)
(79)	0	(79)	Police and Crime Commissioner for Cumbria	(180)	0	(180)
(587)	**(8,574)**	**(9,161)**	**Total Income**	**(1,308)**	**(3,257)**	**(4,565)**

5.2 Notes to the Collection Fund

General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The statement shows the transactions to the billing authority in relation to:

- the collection of Council Tax and Non Domestic Rates from taxpayers and
- the distribution of the amounts collected to local authorities Carlisle City Council & major preceptors (Cumbria County and the Police and Crime Commissioner for Cumbria) and Central Government (central share of non domestic rates)

The transactions recognised in the Collection Fund are wholly prescribed by legislation. Administrative costs associated with the collection process are charged to the General Fund.

Surpluses or deficits declared by the billing authority in relation to the Collection Fund, in respect of NNDR and Council tax, are distributed to central government and the relevant precepting bodies in the subsequent financial years in accordance with statutory provisions.

Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Police & Crime Commissioner for Cumbria and Carlisle City Council for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base for 2022/23 of 35,164.84 (2021/22: 34,666.41) represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, having taken account of the estimated collection rate for the year of 98.5% (2021/22: 98.5%).

The basic amount of Council Tax for a Band D property for 2022/23 of £2,032.35 (2021/22: £1,992.40) is multiplied by the proportion specified for the particular band to give an individual amount due.

The following table shows the Band D Equivalent Chargeable Dwellings, the Tax Base and the basis of Council Tax bills for Bands A to H, taking account of the relevant proportion of Band D for each band:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	32.61	5/9	18.12
A	14,698.77	6/9	9,799.18
B	10,406.11	7/9	8,093.64
C	7,210.51	8/9	6,409.35
D	5,527.76	9/9	5,527.76
E	2,854.57	11/9	3,488.92
F	1,158.80	13/9	1,673.83
G	386.42	15/9	644.04
H	22.75	18/9	45.50
	42,298.31		**35,700.34**
Relevant Amount	**42,298.31**		**35,700.34**
Estimated Collection Rate			98.50%
Council Tax Base = **Relevant Amount (Band D Equivalent) x Collection Rate**			**35,164.84**

Income from Business Ratepayers

National Non-Domestic Rates (NNDR) is based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government

For 2022/23, the total non-domestic rateable value at the year-end was £110,223,475 (2021/22: £110,052,329). The national multipliers for 2022/23 were 49.9p (2021-22: 49.9p) for qualifying Small Businesses, and 51.2p for all other businesses (2021/22: 51.2p).

Under the business rates retention scheme which has operated since 2013/14, 40% of the business rates income received is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria County Council (10%).

Council Tax - Precepts and Demands

The amount shown below represents the precepting authorities' demands on the Collection Fund:

2022/23	Precept £	Surplus/ (Deficit)[1] £	Total £
Carlisle City Council[2]	8,545,164	117,847	8,663,011
Cumbria County Council	53,731,876	731,740	54,463,616
Police & Crime Commissioner for Cumbria	9,921,760	132,266	10,054,026

[1] distribution based on estimated 2021-22 surplus/deficit at 15 January 2022

2021/22	Precept £	Surplus/ (Deficit)[1] £	Total £
Carlisle City Council[2]	8,411,165	(64,268)	8,346,897
Cumbria County Council	51,931,668	(390,369)	51,541,299
Police & Crime Commissioner for Cumbria	9,434,810	(71,971)	9,362,839

[1] distribution based on estimated 2020/21 surplus/deficit at 15 January 2021

[2] Included in the amount for the City Council is a precept of £731,537 (2021/22: £708,289) which is collected on behalf of Parish Councils. This is paid in full directly from the Council's General Fund and included in Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Non Domestic Rates – Payments

2022/23	NNDR Income[1] £	Surplus/(Defict)[2] £	Total £
Carlisle City Council	16,489,930	(3,155,170)	13,334,760
Cumbria County Council	4,122,482	(788,792)	3,333,690
Central Government	20,387,409	(3,943,962)	16,443,447

2021/22	NNDR Income[1] £	Surplus/(Defict)[2] £	Total £
Carlisle City Council	17,415,961	(9,462,618)	7,953,343
Cumbria County Council	4,353,990	(2,365,654)	1,988,336
Central Government	21,462,155	(11,828,272)	9,633,883

[1] excluding transfers and payments relating to cost of collection allowance and disregarded income)

[2] distribution based on estimate of cumulative surplus/deficit at end of preceding year calculated at 31 January of the preceding year

SECTION 6 – ACCOUNTINGPOLICIES

6.1 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, 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
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- 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 circumstances indicate that 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.

6.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

6.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

Depreciation, revaluation or impairment losses or amortisation charged to the Surplus or Deficit on the Provision of Services, are not proper charges to the General Fund. Such amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Council is however required to make an annual contribution, from revenue, towards the reduction in its overall capital borrowing requirement (capital financing requirement). This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

The Minimum Revenue Provision does not appear in the Comprehensive Income and Expenditure Statement but is instead charged to the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

6.5 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including central government for NDR) and as principals, collecting Council Tax and Non-Domestic Rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

Council Tax and Non-Domestic Rates (NDR) income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Non-Domestic Rates that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Non-Domestic Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event, that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund.

6.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense in the year in which employees render service to the Council.

An accrual is made for the cost of leave entitlement (or any form of paid absence leave, for example time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences account so that the cost of paid absences is charged to the General Fund in the financial year in which the employee takes their entitlement or the Council makes a cash settlement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement on the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring in accordance with the Code and IAS37.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Cumbria Local Government Pension Scheme administered by Cumbria County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council. The scheme is accounted for as a defined benefit 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 demographic assumptions such as mortality rates and employee turnover rates and financial assumptions such as projections of future earnings for current employees. Actuarial valuations are carried out at the end of each annual reporting period.

Liabilities are discounted to their value at current prices, using a discount rate determined by reference to market yields at the end of the reporting period on high quality 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 – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property - fair value in accordance with the Royal Institute of Chartered Surveyors' Valuation - Professional Standards.

The change in the net pension liability is analysed into the following defined benefit cost components:

- current service cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period
- past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the

introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Council in the number of employees covered by a plan)

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. Except in circumstances in which the net defined benefit liability (asset) is remeasured following a plan amendment, curtailment or settlement, the net interest expense is calculated by multiplying the net defined benefit liability (asset) at the beginning of the reporting period, by the discount rate used to measure the defined benefit obligation determined at the start of the reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Where the net defined benefit liability (asset) is remeasured during a reporting period, following a plan amendment, curtailment or settlement, net interest for the remainder of the annual reporting period is determined on the basis of the remeasured net defined benefit liability (asset) and the discount rate used to remeasure that net defined benefit liability (asset). Interest cost on the current service cost is included in the current service cost component.
- remeasurements comprising:
    - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, and
    - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)
    - the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Current service costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service costs are allocated to service expenditure within the Comprehensive Income and Expenditure Statement.pro rata to the allocation of current service costs.

The net interest expense (or income) is included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Employers contributions paid to the Cumbria Local Government Pensions Scheme in settlement of liabilities are not accounted for as an expense.

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 or directly to pensioners in the reporting period, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that transfers to and from the Pensions Reserve are required to remove the amounts charged or credited to the Surplus or Deficit on the Provision of Services under the Code and replace them with a charge equal to the cash paid to the pension fund and pensioners during the year and any such amounts payable but unpaid at the year-end.

A negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits, on the basis of retirement benefits payments and contributions payable to the Cumbria Local Government Pension Scheme for the reporting period in accordance with the statutory requirements governing the scheme, rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision and accounted for using the same policies as are applied to the LGPS.

6.7 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (the balance sheet date) 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 end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

6.8 Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

A financial asset (or where applicable part of a financial asset) is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. A financial liability is also derecognised where a liability with an existing lender is exchanged for another with substantially different terms or the terms of an existing liability are substantially modified.

Financial assets and financial liabilities are initially measured at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and transaction costs expensed. Immaterial transaction costs on initial recognition are written off immediately to Surplus or Deficit on the Provision of Services. Trade receivables that do not contain a significant financing component and are initially measured at their transaction price (as defined in IFRS 15 Revenue from Contracts with Customers).

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, financial assets are classified on initial recognition into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Classification is determined by (i) the business model for managing the financial asset and (ii) the assets contractual cash flow characteristics.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. The amortised cost is reduced by impairment losses.

Interest income calculated using the effective interest method, impairment losses and any gains or losses arising on derecognition or modification are included in the Financing and Investment Income and Expenditure (FIIE) line in the Comprehensive Income and Expenditure Statement (CIES).

For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

Financial assets at amortised cost include trade receivables, call and notice accounts and other non-current financial assets.

Modification of the terms of a financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash discounted at the financial asset's original effective interest rate. A modification gain or loss is recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial assets measured at fair value through other comprehensive income (FVOCI) - debt instruments

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, and impairment gains and losses (determined in the same manner as for financial assets measured at amortised cost) are recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Other gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from reserves to Surplus or Deficit on the Provision of Services.

Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments

On initial recognition an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument, (that is not held for trading and is not contingent consideration of an acquirer in a business combination), in Other Comprehensive Income. The election is made on an instrument by instrument basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established, unless the dividend clearly represents a recovery of part of the cost of the investment. Other fair value gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is not reclassified from reserves to Surplus or Deficit on the Provision of Services.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured as FVTPL. Financial assets at fair value through profit or loss include:

- investments in equity instruments, unless designated as at FVOCI
- financial assets held within a business model other than ‘hold to collect’ or ‘hold to collect and sell’
- financial assets whose contractual cash flows that are not solely payments of principal and interest, irrespective of the business model.

Financial assets at fair value through profit or loss are subsequently measured at fair value with net gains or losses, including any interest or dividend income, recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES).

This category includes equity investments which the Council has not irrevocably elected to classify at fair value through other comprehensive income, money market funds and debt instruments that do not meet the SPPI criterion.

Dividends on equity investments are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established.

Movements in the fair value of equity investments that meet the definition of capital expenditure under statute are not proper charges to the General Fund. Any gains or losses in fair value included in the Comprehensive Income and Expenditure Statement in respect of these investments are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment of financial assets (expected credit loss model)

The Council recognises an allowance for expected credited losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts.
The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Council applies a simplified approach and always recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, impairments are recognised in three stages to reflect changes in credit risk since initial recognition:

- Stage 1 (Performing) - financial assets that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk at the reporting date
- Stage 2 (Underperforming) - financial assets that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of a credit loss event
- Stage 3 (Non-performing/credit impaired) - financial assets that have objective evidence of impairment at the reporting date.

For financial instruments at stage 1, the loss allowance is measured at an amount equal to the 12-month expected credit losses and interest income calculated on the gross carrying amount of the asset (i.e. without reduction for expected credit losses).

For financial instruments at stages 2 and 3, the loss allowance is measured at an amount equal to life-time expected credit losses. For financial instruments at stage 2, interest income is calculated on the assets gross carrying amount. For those at stage 3, interest income is calculated on the assets net carrying amount (i.e. reduced for expected credit losses).

12-month expected credit losses are the portion of the lifetime expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Council is exposed to credit risk.

For debt instruments considered to have a low credit risk at the reporting date, the Council measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Council considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. Financial instruments to which this practical expedient applies includes debt instruments classified as cash and cash equivalents.

For purchased or originated credit-impaired financial assets, only the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Council considers all reasonable and supportable information (quantitative and qualitative) that is relevant and available without undue cost or effort. This includes historical experience, informed credit assessment and forward-looking information.

The Council assumes there has been a significant increase in credit risk when contractual payments are more than 30 days past due, unless the Council has reasonable and supportable information that demonstrates otherwise.

The Council considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor
- contractual payments are more than 90 days past due (unless the Council has reasonable and supportable information that demonstrates otherwise)

- internal or external information indicates the Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Council.

Credit-impaired financial assets

At each reporting date, the Council assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 90 days past due
- the restructuring of a loan or advance by the Council on terms that the Council would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for expected credit losses in the Balance Sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Surplus or Deficit on the Provision of Services and is recognised in Other Comprehensive Income and Expenditure. The loss allowance does not reduce the carrying amount of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off (in full or in part) when there is no reasonable expectation of recovering the contractual cash flows e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets written off may still be subject to recovery activities. Any recoveries made subsequent to being written off are recognised in the Surplus or Deficit on the Provision of Services.

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Expected Credit Losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Council expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Debtors in respect of local taxation and other non-contractual debts are excluded from the scope of IFRS 9 - Financial Instruments: Recognition and Measurement. The write-off of uncollectable debts and allowance for impairment of doubtful debts for such items follow the incurred loss model for impairment.

Under the Incurred Loss Model, individually significant local taxation and other non-contractual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually significant or which are not considered to be individually impaired are reviewed collectively for impairment in groups, determined by reference to shared credit risk characteristics.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made:

- the carrying amount of the financial asset is reduced by the impairment loss (measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate) and a charge made to the Comprehensive Income and Expenditure Statement
- interest income over the remaining term of the instrument is recognised by applying the original effective interest rate to the revised balance.

An allowance account is used to reduce the carrying amount of non-contractual receivables considered to be impaired (or in the case of a reversal of a write-down, an increase). Non-contractual receivables considered uncollectible are written off against the allowance account. Any difference between the amount written off and the impairment loss previously included in the allowance account is recognised in the Comprehensive Income and Expenditure Statement.

Subsequent reversals of a write-down or recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

Classification and measurement

The Council's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument

For the Council's borrowings, this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement, the amount payable for the year according to the loan agreement.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed), is recognised in the Surplus or Deficit on the Provision of Services.

Modifications or exchanges of financial liabilities that do not result in derecognition

Where the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not 'substantial', the loan debt or financial liability is not accounted for as an extinguishment. If an exchange or modification does not result in an extinguishment:

- the difference between the carrying amount of the liability before the modification or exchange and the present value of the cash flows after modification (discounted at the original effective interest rate) is recognised in the Comprehensive Income and Expenditure Statement as a gain or loss on modification
- any costs or fees paid or received adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Where premiums and discounts arising from the early repayment of loans have been charged to the Comprehensive Income and Expenditure Statement (rather than being accounted for as an adjustment to the carrying amount of the financial liability), regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amount charged or credited to the General Fund and the amount charged or credited to the Comprehensive Income and Expenditure Statement is reconciled by a transfer to the Financial Instruments Adjustment Account (FIAA) within the Movement in Reserves Statement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are recognised as a liability at the time the guarantee is issued. The liability is measured initially at fair value and subsequently, at the higher of:

- the amount of the impairment loss allowance determined in accordance with IFRS 9 - Financial Instruments: Recognition and Measurement, and
- the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with the revenue recognition principles of IFRS 15 - Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

For a financial guarantee contract, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Council expects to receive from the holder, the debtor or any other party.

Financial guarantees entered into before 1 April 2006

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are instead reflected in the Statement of Accounts only to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

6.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment

Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where the Council is acting as an agent of a grant paying body (as opposed to acting as a principal), related transactions are not reflected in the Council's financial statements, with the exception of cash collected or expenditure incurred by the Council (agent) on behalf of the grant paying body (principal), in which case a debtor or creditor position is recognised in the Balance Sheet reflecting the difference between grant disbursements made and reimbursements received by the Council. The net cash position is included in financing activities in the Cash Flow Statement.

6.10 Heritage Assets

Recognition

Tangible heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible Heritage Assets are those assets with cultural, environmental, or historical significance. Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets, and valued in the same way as other assets of that type (for example property, plant and equipment)

The Councils heritage assets consist of:

- statues, monuments and historical landmarks
- museum collections
- civic regalia

Measurement

Heritage assets are recognised on the Council's Balance Sheet where it has information on cost or value. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised.

Acquisitions of heritage assets are initially recognised at cost or if bequeathed or donated, at fair value based on appropriate insurance values at the date of acquisition.

Subsequent to initial recognition, heritage assets are measured at valuation using a method of valuation that is relevant and appropriate (for example insurance valuations). Where it is not practicable to obtain a valuation (at a cost which is commensurate with the benefits to users of the financial statements), and cost information is available, the assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Heritage assets recognised on the Council's Balance Sheet are measured using the following bases:

- statues, monuments and historical landmarks reserves - historical cost (less any accumulated depreciation, amortisation and impairment losses)
- civic regalia - insurance values
- collections - insurance values which take into account current market values. These insurance valuations are reviewed on an annual basis as part of the overall insurance premium renewal process.

The Council has a number of statues, monuments and historical buildings for which reliable cost or valuation information is not available or which cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements Accordingly, except for expenditure incurred on the acquisition, creation or enhancement of these assets on or after 1 April 2010, these assets are not reported as assets in the balance sheet.

Revaluation Gains and Losses

Where heritage assets are measured at valuation, there is no prescribed minimum period between valuations. The carrying amount is however reviewed with sufficient frequency to ensure that valuations remain current.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services.

Where the carrying amount of a heritage asset is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Preservation Costs

Expenditure which, in the Council’s view, is required to preserve or clearly prevent further deterioration of individual collection items, is recognised in the Surplus or Deficit on the Provision of Services when it is incurred.

Depreciation and Amortisation

The majority of the Council’s tangible heritage assets have indefinite lives and therefore the Council does not consider it appropriate to charge depreciation. Where a useful life can be identified, straight line depreciation is applied.

Impairment

The values of heritage assets are reviewed at the end of each financial year for evidence of impairment; for example where an item has suffered physical deterioration or breakage or where doubt arises over its authenticity. Impairment losses are accounted for in accordance with the recognition and measurement requirements set out in section 6.15- Property, Plant and Equipment.

Derecognition (disposals)

The trustees of the Council’s Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council’s general provisions relating to the disposal of property, plant, and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

6.11 Inventories and Long-Term Contracts

Inventories are included in the balance sheet at current prices. This is a departure from the requirements of the Code and IAS 2 Inventories, which requires stocks to be shown at the lower of cost and

- net realisable value where they are acquired through an exchange transaction.
- current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

6.12 Investment Property

Investment properties are those properties that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. The fair value of investment property held under a lease is the lease interest. As a non-financial asset, investment properties are measured at highest and best use.

Investment properties are not depreciated but are revalued annually according to market conditions at the balance sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Under statutory accounting arrangements, gains or losses resulting from the revaluation or disposal of investment property are not proper charges to the General Fund. Such amounts are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

The Council does not classify any property interests held under operating leases as Investment Properties.

6.13 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. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

6.14 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

6.15 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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase prices
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at current value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets – depreciated historical cost
- assets under construction – historic cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. This includes assets such as Crematoria, Leisure Centres, Museums, Community Centres, Hostels and Public Conveniences.

Non-property assets that have short useful lives or low values (or both) are measured on a depreciated historical cost basis as a proxy for current value.

Assets measured at current value are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from their current value at the balance sheet date, but as a minimum every five years. Increases in valuations, other than those that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Revaluation gains that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are credited to the Surplus or Deficit on the Provision of Services to the extent required to reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only - the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified on an asset carried at a revalued amount, the impairment loss is recognised in the Revaluation Reserve, up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement. An impairment loss on an asset with a carrying value based on historical cost is recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss, previously recognised in Surplus or Deficit on the Provision of Services, is subsequently reversed, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount required to reinstate the assets carrying amount (net of depreciation) had no impairment loss been recognised in prior years. Any increase in the assets carrying value above this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

Impairment losses and reversal of impairment losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement**.**

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

Asset Category	Rate	Basis
Dwellings & Other Buildings	10 – 53 Years	Straight Line
Infrastructure Assets	40 – 80 Years	Straight Line
Vehicles, Plant, furniture & Equipment	3 – 20 Years	Straight Line
Intangible Assets	5 Years	Straight Line

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charged to Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Componentisation

The Council has a policy on componentisation under which any depreciable asset with a Gross Book Value of more than £1million will be considered for componentisation where a component is deemed to be more than 5% of the assets value.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset (or component of an asset) is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where it is not practicable to determine the carrying amount of a replaced or restored component of an asset, the Council uses the cost of the replacement component to estimate the cost of the replaced component at the time it was acquired or constructed (adjusted for depreciation and impairment if required).

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The carrying amount of an asset (or component of an asset) written off to the Comprehensive Income and Expenditure Statement on disposal is not a proper charge to the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

6.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Council has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the conditions for recognition are met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income if it is virtually certain that reimbursements will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of economic benefits or service potential resources will be required, or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of one or more uncertain future events, not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service

6.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked Reserves are created by appropriating amounts out of the un-earmarked General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made from the earmarked reserve to the Un-earmarked General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept managing the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Council.

6.18 Revenue Expenditure Funded from Capital under Statute

Expenditure required to be treated as capital expenditure under statutory provisions, but which does not result in the creation of non-current assets, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

6.19 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

6.20 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as investments in pooled investment funds at fair value at each reporting date.

Fair value is 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 under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal 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.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

The fair value measurement of financial liabilities assumes that a financial or non-financial liability is transferred to a market participant at the measurement date. The transfer assumes that the liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

The Council uses valuation techniques to measure fair value that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities where fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the lowest level input to valuation techniques that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Council has determined appropriate classes of assets and liabilities on the basis of (a) the nature, characteristics and risks of the asset or liability; and (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

SECTION 7 – ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Following implementation of local government reorganisation in Cumbria, Carlisle City Council ceased to exist on 1 April 2023 (along with all other existing local authorities in Cumbria). On that date responsibility for all existing functions of the Council transferred to Cumberland Council.

Prior to its dissolution, Carlisle City Council ('the Council') was responsible for ensuring that its business was conducted both in accordance with the law and proper, appropriate standards, and that public money was safeguarded, 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 and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council had approved and adopted a local Code of Corporate Governance ("the Code"), which was consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. The Council had also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015) and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explains how the Council complied with the Code and application note and meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

Global Pandemic (Impact)

From March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework were unchanged. The Council continued to work under these new measures, including maintaining a flexible approach to hybrid working as restrictions around the pandemic eased.

The Council continued to be involved in the local response to the pandemic including monitoring compliance with restrictions, administering business support grants and forming part of the Cumbria Resilience Forum, which shared information and coordinated local action outbreaks within the area

Local Government Re-Organisation

On 21 July 2021 the UK government announced that it intended to proceed with a two-unitary local government re-organisation (LGR) model within Cumbria. This meant that from 31 March 2023 Carlisle merged with Allerdale Borough Council, Copeland Borough Council and approximately half of a disaggregated Cumbria County Council to form a new unitary authority known as Cumberland Council. During 2022/23 Carlisle City Council continued to work in collaboration with the other Councils to ensure a smooth transition to the new authority.

The Council's existing governance, risk management and internal control framework remained unchanged by LGR, though clearly some plans, strategies and longer-term projects and aspirations were curtailed or suspended where considered more economic or efficient to do so as a result of the government decision.

A comprehensive communication and briefing programme was in place throughout 2022/23 to keep staff updated on progress against the LGR project. This included regular corporate communications, staff briefings and a dedicated intranet page.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council directed and controlled and its activities through which it accounted to, engaged with and led its community. It enabled the Council to monitor the achievement of its strategic objectives and to consider whether those objectives had led to the delivery of appropriate and cost- effective services.

The system of internal control was a significant part of the Council's framework and was designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only 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 the Council's policies, aims and objectives; and
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework had been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts for 2022/23.

The Governance Framework

The following are the key elements of the systems and processes that comprised the Council's governance arrangements:

The Council's vision of its purpose and intended outcomes

The Council's vision was proposed by the Executive as part of the Carlisle Plan ("the Plan") which was debated and agreed by full Council. This vision was then communicated through the Carlisle Plan itself, which was a guiding document for staff and members. An annual report communicated the outcomes and performance of the Plan to residents and the end of year performance report presented the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan 2021-23 was adopted by Council on 14th September 2021, with a truncated timeline (ending 31 March 2023) to reflect Local Government Reorganisation.

Like many other local authorities, the Council declared a climate Emergency in 2019 and prepared and approved an Environmental Strategy, complemented by a detailed action plan, devised primarily to ensure the Council (including the new authority replacing Carlisle City) is carbon neutral by 2037.

The Council's vision – implications for governance arrangements

The Carlisle Plan not only contained the Council's vision but also the key objectives to be delivered in support of it. The plan was accompanied by a 'Plan on a Page', this set out the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny were reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive were reviewed every year by the Leader of the Council.

Measuring the quality of service for users

The Council's Performance Management framework, including Service Standards ensured that elected Members and officers monitored performance in key service areas on a regular basis. User satisfaction was measured through a variety of channels such as the Customer Contact Centre, online surveys and social media. The Council set equality objectives to further improve services for all users; these objectives were reported upon annually alongside an action plan for improvement. Impact of key decisions were recorded in each of the Executive papers ensuring that appropriate assessments formed part of all the Council’s key and non-key decisions.

Performance in services provided to customers was monitored through management information indicators, highlighting short and medium-term trends which were reported to the corporate Senior Management Team[1]. Progress against Carlisle Plan priorities and key actions was reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels with progress made in 2022/23 detailed below:

PRIORITY – Economic growth

1. Delivering the Borderlands Inclusive Growth Deal

Following the granting of planning permission for the scheme in August, the City Council continued to support the University of Cumbria with their plans for a campus and HQ on the Citadels site.

The Carlisle station masterplan review of the scheme has been completed to ensure the coordination of the different phases of project delivery and consistency of design with regards to the city centre being delivered through the Future High Streets Fund and Town Deal programmes with demolition works will take place in 2023.

The Longtown Place Plan has been in place since July 2022. City Council officers, supported by County Council colleagues, have been supporting the Longtown community with the development of a place plan for the town.

2. SCGV Masterplan & Local Plan - delivery of robust planning framework & evidence base to enable delivery of the Garden Village

Good progress continued to be made with St Cuthbert’s. The technical evidential commissions are now concluding that will now inform the crucial scenario testing stage to establish the first delivery phase alongside the supporting infrastructure requirements.

Following a well-attended set of drop-in events in November, work is now well underway to draft up the St Cuthbert’s Design Code which remains on track for submission to Office for Place in May and to inform the emerging Local Plan. Utility diversions have now concluded on the Carlisle Southern Link Road and the County Council (now Cumberland Council) has tendered for the construction contract.

3. Delivering the Future High Street Fund (FHSF), Towns Fund, Town Deal Accelerated Fund, and related regeneration projects

The second public consultation on the Market Square scheme was completed just before Christmas. The next steps are to discuss the results and update the project risk register, finalise the design brief and procurement arrangements. There is now a preferred design in draft form. The next step is to review the client brief and pre-contract documentation and then put the contract out to tender. The current preference appears to be a design and build contract. Some work has been carried out on the Central Plaza site in conjunction with a structural engineer. The next steps are to discuss the recommendations and update the project risk register, finalise the design brief and procurement arrangements.

Good progress continues to be made on the delivery of £19.7m Carlisle Town Deal, with the six business cases that were submitted in March approved by Government. The Council’s

Programme Management Office are in the process of completing the Grant Funding Agreements with external partners for the approved projects, to enable the funding to be made available and allow project delivery to commence. Funding Agreements are being drawn up for the project that are to be delivered internally. A seventh business case is being progressed for the Market Hall Project.

The Council received confirmation on 5 December from the Department for Levelling Up, Housing and Communities (DLUHC) that the UKSPF Investment Plan has been approved for the £4.1m funding allocation. The programme for Year 1, to be delivered by the Council, has been agreed by Executive. The funding for the agreed projects has been allocated, with activity and spend completed by March the 31st 2023. The programme for years two and three will be delivered by the new Cumberland council. A local partnership group for Cumberland has been established which will have strategic oversight of the programme.

The Council has notionally been allocated £475,000 to support the delivery of projects to support rural communities and businesses. The Council submitted its proposals for the funding on 30 November. The Department for Levelling Up, Housing and Communities (DLUHC) has advised that it will be making its decision in due course, but no firm timescales have been given.

4. Building on success through new economic opportunities

The Council is progressing the development a rural strategy for the district working jointly with Westmorland & Furness Council. An evidence base for Carlisle has been presented at a stakeholder engagement meeting to support the creation of a Rural Strategy with clear issues / opportunities identified and recommended actions to proactively position Carlisle for future investment.

Carlisle's UKSPF Investment Plan has been submitted to DLUHC and awaiting approval. The Year One programme for UKSPF has been approved by the Executive and Council.

The Rural Strategy will inform the development of the approach to the Rural Addendum to the UKSPF Investment Plan.

PRIORITY - Health and wellbeing

5. Delivering the Phase VII World Health Organisation Healthy City Plan - WHO Phase VII Application

Work with partners to deliver on key district wide actions associated with the WHO six Ps (People, Place, Prosperity, Planet, Peace, Participation) to sustain a focus on delivering projects and programmes that address healthy weight management, physical activity levels, developing a child friendly city, supporting vulnerable adults, addressing mental health management particularly post Covid19 restrictions.

6. Delivering the Sands Centre Redevelopment project

The main contract work achieved sectional and practical completion on 21 December 2022. Wates still have a presence on site to complete the snagging work and personnel working on the final accounts and compliance tasks. These activities have a target completion date of 31 March 2023. Most of the ancillary works contracts are complete other than completion of the final account documentation or reviewing the health and safety file information where appropriate. The Sands and Swifts Car park resurfacing work package is currently in the pre-construction phase.

7. Support the delivery of partnership plans

Carlisle Partnership Executive's key highlights included the New Sands Centre overview and tour for strategic partners, focus on the cost of Living, Longtown Stakeholder Summit and shared prosperity fund. The Partnership executive and team have also been developing a reporting database to capture key partnership information for quarterly reporting purposes and a new case study template, supporting vaccination work and the identification of a vaccination site and associated permissions (Covid and Flu), developing and sharing partnership e-newsletters, supporting the Shared Prosperity Fund work with the Regeneration team and proposals for the development of a SPF Cumberland Partnership and working with the University of Cumbria, Ayuntamiento de Madrid, Lancaster City Council and the Lake District National Park Partnership on Partnership Research and learning.

We continue to work on Phase 1 of project delivery plan for the Place Standard Programme which includes: mapping, establishing community contacts, scoping, modelling, meeting key partners, gathering data, health data and socio-economic data from a variety of sources, looking at methods of delivery, facilitation and exploring evaluation options.

A revised collaborative funding model pilot proposal was submitted to the National Lottery Community Fund Panel meeting in December. The Panel members were in favour of the proposal and now the next steps are to respond with more detail on budgets and planned activities.

8. Delivering the Homelessness Prevention and Rough Sleepers Strategy

A strategic board and operational multi-partnership subgroup have been established since the launch of the Strategy and continue to monitor and oversee performance against the action plan. Year one actions (2021/22) have all been successfully achieved; year two priority actions are currently on track. The team are monitoring increased demand for the service closely and are considering additional impacts such as the cost-of-living crisis.

9. Delivering the private sector housing standards to include a range of grants, advice, support and regulation

The Council has continued to process requests for housing advice/complaints, with a significant increase in service requests due to the media attention around the court case involving the child whose death was linked to poor housing conditions. During the period, 31 enforcement notices have been issued for matters relating to poor housing conditions management and documentation requests. The statistics for the sustainable warmth project being run through Homelife, are published for Cumbria.

10. Delivering the Local Environment (Climate Change) Strategy

The procurement of the seven electric vehicles to replace diesel vehicles in our fleet is near completion and additional EV charging points have been installed at Bousteads. These new charging points are in our carpark away from the operational vehicle movements, so they are available for visitors and customers along with overnight charging of the Council fleet.

The Cumbria wide EV Charging Infrastructure Partnership has identified a further round of locations for potential installations. Aided by precise locations (as defined by What3Words) the district network operator, Electricity North West Limited, will now carry out an evaluation to determine the feasibility and cost of connecting these sites to the nearest suitable electricity supply. Meanwhile Cumbria County Council, on behalf of the Cumbria EV Partnership, made an application for ORCS grant funding (On-street Residential Chargepoint Scheme) to support the installation of charging points in residential locations. Some will utilise existing street lighting columns to provide the connection, others will use public car parks close to people's homes where an existing electricity supply allows for low-cost installation. The partnership is looking for a commercial partner to provide the infrastructure – hardware and software – in a 'commissioning model' of delivering the service and making the choice of an electric vehicle more realistic for those residents without access to a private driveway for purposes of recharging their car.

The Council's Energy Monitoring System for property has now been completed. We are now collecting data in real time, this will start to build up a data set of energy usage and emissions so that we can compare to our carbon footprint baseline, set in the strategy.

A Cumberland Climate Change Working Group was established in August 2022 to begin looking at the policy approach to climate change for Cumberland Council. Key areas of work that have been undertaken include:

- Comparing the Environment or Climate Change Strategies for Cumbria County Council and Allerdale, Copeland and Carlisle Councils to identify similarities, strengths, and any areas of significant difference in approach.
- Considering best practice in climate change strategies from other local authorities
- Preparing briefings for Cumberland Shadow Executive
- A workshop to scope out key issues for the development of an Environmental Resilience/ Climate Change Strategy for Cumberland Council

11. Delivering the Green Spaces Strategy and supporting the delivery of the Local Cycling and Walking Infrastructure Plan (LCWIP)

Supporting the LCWIP implementation. The LCWIP has now replaced all the previous schemes we had to develop cycling and walking such as the bid we prepared a few years ago to develop the bid for European funding. Many of the schemes we were previously considering are now incorporated in the LCWIP. All the schemes in the LCWIP have been ranked in priority order and will progress when funding has been identified. The government have recently allocated £385,000 to the County to fund this development work County wide.

Routes linked to the Garden Village and the Southern Bypass are being developed and seem likely to get funding. The next steps for this cycle route are to update the specification and outline cost plan to establish the likely level of funding needed at 2023 prices as the cost plan and outline design for this route was developed in 2019.

12. Supporting the delivery of the Carlisle Cultural Framework

The Council continued to support the development of Carlisle Culture. During this last period the group has continued to meet and work on the delivery of the Cultural Framework.

Recent activity has focused on the use and development of city centre retail space for cultural purposes.

Roles and Responsibilities

The City Council comprised 39 elected Members; no elections were held for Carlisle City Council during the 2022/23 as elections for members to the new shadow authorities for the two new unitary Councils were held in May 2022. The Council operated executive arrangements under the Local Government Act 2000 and had done so since September 2001. The Council operated the “Strong Leader” model whereby the Council appoints the Leader for a four-year period, who then nominated their Executive Portfolio Holders and decided the scope of their portfolios and the extent of delegated powers to each.

For 2022/23 the Executive comprises the Leader and five Executive Members (six for part of the year), one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation was held within the Governance Directorate and all Members of the Council receive a copy. The document was available publicly on the Council's website. All decisions made by the Executive, whether collectively or individually, were properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council was responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council had three Overview and Scrutiny Panels: People, Place and Resources. These Panels undertook the statutory scrutiny role set out in the 2000 Act and assisted with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels were supported by a dedicated Scrutiny Officer who serviced solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also had a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function was set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserved only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this meant that decisions were able to be taken in a clear, transparent manner and from a corporate governance perspective, it was a great deal more certain where responsibility for decision making rested, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council were supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference were set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers were reviewed and approved by the Council annually.

The Council had an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers were led by the Senior Management Team, which, during 2022/23 comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team met on a fortnightly basis to discuss corporate issues.

Codes of Conduct and Standards

The Council had always (since the introduction of the obligation to have one) had a formally adopted Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These formed part of the Council's suite of constitutional documents and all Members undertook to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rested with the Council's Standards Committee, which comprised of 7 Members of the City Council who were advised by an Independent Person (the appointment of 2 Independent Persons is ratified by Council). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it was provided to all newly elected Members of the Council as part of the standardised induction process and it was also available to all members of the Council to participate in. Further training for Members on relevant Standards issues was provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct was supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, was again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, included the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training was provided in the Member Induction Programme. In-year training was also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arose because of the particular work of those Committees.

Since April 2021 the Council, and the other Cumbrian Councils, had adopted and followed a Code of Conduct based upon the template promoted by the Local Government Association. At the same time the Council also approved updated arrangements for dealing with standards matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct was contained within the Council's Constitution. The Council also had employee and management competency standards which highlighted expected methods of work and behaviours. There was also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This formed part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) were also available to supplement the training schedule with further ones planned for future development; these ensured that appropriate training could be targeted at relevant officers.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, were set out extensively in the Council's Constitution. They defined the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, were reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegation to Officers continued to be revised which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council had revised and developed its risk management arrangements and had implemented a Risk Management Assurance Framework, incorporating the three lines assurance model. Risk assessment was overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provided ad-hoc support, as required. The Group, led by the Deputy Chief Executive, overseen the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council were scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks were monitored through a management monitoring function in SharePoint.

The Council had an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continued to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance officer monitored compliance, amongst other duties, with the new requirements of GDPR. The Council's Internal Audit function continued to review records management as part of all individual audits.

Ensuring Effective Counter-fraud and Anti-corruption Arrangements were Developed and Maintained

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council had a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption was provided during the year and a supplementary e-learning training module on Money Laundering was available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. Internal Audit continued to deliver an annual review of counter-fraud arrangements (started in 2019/20) to identify improvements against best practice and also reviewed and suggested improvements to the Counter-Fraud Policy during 2022/23, which was also be used to support counter-fraud arrangements for the new authority.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and had been successful in achieving a significant amount of revenue savings. The current savings programme had identified that a further £2.050 million was required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings had been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position was closely monitored during 2022/23 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

Managing transformational change effectively was critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. However, given that the Council ceased to exist from 1 April 2023, the focus in 2022/23 had been to support the delivery of a balanced budget for Cumberland Council for 2023/24 and to ensure future financial sustainability for the new Unitary. During 2023/24 and future years Cumberland will commence a programme of transition and transformation to ensure that the transformation of its services is controlled and managed effectively, and that resources are directed to the priorities contained within its Corporate Plan.

Financial Management Arrangements

The Council had a duty to comply the key principles contained within the revised CIPFA statement of the ‘Role of the Chief Financial Officer in Local Government’ and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council’s Corporate Director of Finance & Resources was a qualified accountant and was a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, had direct access to the Chief Executive. They led and directed an adequately resourced, fit for purpose, finance function, comprising 20 officers, who supported the proper administration of the Council’s financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and ensured that the short and long term implications of all material business decisions were fully considered and aligned to the Council’s Medium Term Financial Plan.

The main controls for financial management were set out in the Constitution – these were the Budget and Policy Framework and the Financial Procedure Rules. These covered the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complied with the Prudential Framework for Local Authority Finance.

The Council had a Medium-Term Financial Planning process (MTFP) which integrated budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework was co-ordinated through the JMT which consisted of the Executive Members and SMT. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes. The Council had undertaken work to ensure compliance with the code and the findings were presented to the Audit Committee in September 2022.

All executive decisions were subject to a full impact assessment from a financial and legal perspective. In addition, full option appraisals were included for all business cases for specific projects.

The Council had a Procurement and Commissioning Strategy that ensured best value was achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders were achieved through the setting out of clear social, economic and environmental responsibilities.

Value for Money benchmarking exercises were usually undertaken across service areas when required, though no specific exercises were performed during 2022/23 due to resource issues as a result of the pandemic and the need to support the LGR process. However, the Council continued to procure services following appropriate, established processes designed to ensure value-for-money was achieved.

Regular meetings were held with identified budget managers from which budget-monitoring reports were prepared for both Capital and Revenue expenditure and considered by the Executive and Scrutiny. The Council was committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts are produced in accordance with the statutory deadlines and year-end actual results are reported against budgets. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure were presented to the Audit Committee and were considered by Executive, Scrutiny and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements were in place for the discharge of the Monitoring Officer function

The Corporate Director of Governance & Regulatory Services was the Council's Monitoring Officer with the Head of Legal Services acting as the deputy. These officers had a duty to report to the Council and the Executive in any case where they believed any proposal, decision or omission would give rise to unlawfulness or if any decision or omission had given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determined that the Monitoring Officer was 'responsible to the Council for ensuring that agreed procedures were followed and that all applicable statutes and regulations were complied with'. In addition to this, the Monitoring Officer provided a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc.), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducted annual reviews of the Council's Constitution and made recommendations for change, which were adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer had regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provided the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

Ensuring effective arrangements were in place for the discharge of the Head of Paid Service function

The Council's Head of Paid Service was the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance was the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiated with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives was maintained'. The Council's Constitution clearly set out their role and responsibilities in respect of management structures and the discharge of functions by the Council. They reported to Council on:

- the manner in which the discharge of functions was co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

They were currently supported in their role by a Deputy and three Corporate Directors and had regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supported the Scrutiny function and currently had direct line management responsibilities for Customer Services and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups were established, each led by a member of SMT, and each with clear functions and terms of reference. The aim was to promote a culture of empowerment thus ensuring that operational decisions could be made at the correct level within the organisation.

Audit Committee

As a means of ensuring best practice, the Council had an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operated in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This was supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council had a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit was also the Council's Head of Financial Services, who managed an in-house Internal Audit team compromising an Audit Services Manager and two Auditors. Controls had been put into place to maintain the team's organisational independence, which were documented in the approved Internal Audit Charter. During 2022/23 the Audit Services Manager continued with a shared management arrangement between the City Council and Allerdale and Copeland Borough Councils, which ensured a consistent approach was taken by Internal Audit by the three Councils, who merged into one authority from 2023/24. Additional management support was provided within the team during 2022/23 to ensure delivery of the Carlisle Internal Audit plan.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (audit consultancy) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

A reasonable assurance has been provided on the adequacy and effectiveness in respect of 2022/23, though the opinion maintains concerns in relation to ICT Services due to limited progression of agreed actions to previous audit recommendations. The opinion however also reflects improvements made to the team's resource levels and ongoing commitment to manage the key risks relating to cyber security, in particularly ensuring concerns are being addressed as part of the LGR ICT work-stream.

Significant control concerns were also identified in the year in relation to the governance and risk management processes in place over the management of the Sustainable Warmth Grant. However, the Council's Senior Management Team shared these concerns and assurances were obtained that that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project.

The audit opinion also highlighted concerns around additional resource pressures on Council officers from Local Government Re-Organisation, significant projects and ongoing pressures from the Covid-19 pandemic and the impact this may have on adherence to the Governance, Risk Management and Internal Control framework, while recognised improved client engagement within the year.

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented. The team continued to perform annual self-assessments against the requirement of the Standards, with improvements identified, actioned and reported to the Audit Committee in July 2022.

The Designated Head of Audit reported directly to the Council's section 151 officer and had direct access to the Senior Management Team (SMT) and Chief Executive as required. The

Designated Head of Internal Audit and Audit Services Manager attended all Audit Committee meetings and had the opportunity for private dialogue with the Chair as appropriate. The Audit Services Manager also had the authority to report directly to the Chief Executive/Chair of Audit Committee if they had concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit was subject to a regular review and assessed as fit for purpose for 2022/23; the team achieved sufficient coverage to enable an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 9 years' experience in Local Government Internal Auditing. The Audit Services Manager is PIIA qualified (and is in the process of obtaining full chartered status) and has 13 years' experience in local government internal auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

Ensuring Compliance with Relevant Laws

Systems were in place to ensure that appropriate legal and financial advice was provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporated an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensured that checks were made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers were also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice was available at the inception of any matter and when any issues relating to the Council's powers and duties were under consideration.

Similar representation by legal and financial officers was provided for on Officer Working Groups dealing with relevant policy issues so that a check was maintained on vires and financial issues at that level. Legal representation and advice was also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees were undertaken lawfully. A legal adviser was also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council had a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribed to a corporate legal updating service which provided for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurred on an ongoing basis. In addition, the legal services section ensured appropriate bulletins were promulgated to relevant clients.

Complaints and Whistle blowing

The Council operated a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may have been dissatisfied. The objective of the complaints process was to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, was always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter. The complaints process was streamlined during 2021/22 and embedded in 2022/23.

The basis of the corporate complaints process was that the relevant Directorate dealt with the complaint initially but, in the event of the complainant still being dissatisfied, the process provided an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who reviewed the position. This included a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels received training on the type of matters that they may consider in that role.

The Council had a Confidential Reporting Policy that was available to all members of staff.

Identifying the development needs of Members and senior officers

The Council had a formal induction and appraisal scheme, which was mandatory for all officers, including all senior managers, which was reviewed and stream-lined to focus on competencies and training needs. It was carried out each year and formed part of the review of the Carlisle Plan. Appraisals were recorded and there was monitoring of compliance by SMT along with an annual report to Members of the People Scrutiny Panel which included the key findings of the biennial Employee Opinion Survey. The appraisal process had been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies were in place that supported the achievement of the Council's ethical values. A Workforce Development Plan had been approved (though partly curtailed as a result of LGR) and Service Plans included workforce planning and needs and mentoring and coaching programmes were in place to promote development of all Members and Officers.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme was in place for members and a coaching programme had been introduced for employees.

The Council had signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Gold Better Health at Work Award. There was an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks were offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses. Further support had been offered to staff whilst the Council was going through the LGR change programme to ensure there was a continued focus on the health and well-being of staff – this was considered by the People Scrutiny Panel on 12 January 2023.

Clear channels of communication

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports were publicly available unless justifiable reasoning was provided to maintain confidentiality and the Council was dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that would ensure local people's involvement in the design and delivery of more responsive local services.

The Council worked closely with local groups representing those that were in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs were met. There was an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public was achieved through social media and other online surveys, alongside continued growth in social media capacity. The Council also engaged with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continued to deliver most of its key services directly there were areas where services were commissioned. Arrangements were in place, to monitor both the administration of the services and the quality of that service and this information was reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements covered all those organisations deemed to be significant partnerships. However, many partnerships were contractual arrangements and definitions had been reviewed and revised to accommodate future monitoring and reporting requirements. This continued to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services were embedded within the Council, and more robust challenges were made to partners/contractors to ensure that they were fulfilling their obligations and that the service provided continued to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continued to ensure that service delivery was effective and met the partner’s expectations.

The Council continued to review those organisations which receive grant aid from the Council. Many of those related to third sector organisations with a significant contribution sum being made to local Community Centres.

Good governance in respect of Partnerships

The Council’s key governance arrangements and procedures ensured that partnerships were entered into for the right reasons, all factors/implications were fully considered as part of the set- up process, the Council’s role was clearly defined, expected outputs and outcomes were identified and the appropriate monitoring arrangements were in place. In all, the Council had robust management arrangements in place and a clear framework in which to operate. It was important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships was the responsibility of individual service areas. Key control measures are outlined below:

The Council had a robust Partnership Policy in place that provided guidance on the nature and risks of partnerships. This Policy included a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships were clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, was the central monitoring tool used to track all partnerships in progress. Consideration was given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, was used for all new proposed partnerships. These were considered by SMT. Proposed significant partnerships were also reported to the Executive.

The Council’s Financial Procedure Rules contained specific guidance on officers’ duties and responsibilities regarding partnerships. A flowchart provided an aid for officers to guide them through the partnership process. Supplementary guidance notes were also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments were maintained and shared with partners throughout the life of the partnership. Emerging significant risks were brought to the attention of the Council's Risk Management Group. Strategically, the Council managed the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register was usually reviewed quarterly by the Risk Management Group and reported to the People Scrutiny Panel and the Audit Committee.

Significant partnerships were subject to a robust set of measures. Annual reviews were undertaken for all significant partnerships, which had been extended to include all Shared Service arrangements, the results of which form part of the statement of accounts. This reporting was co-ordinated by Financial Services and was considered by SMT and the Business and Transformation Scrutiny Panel, upon request.

Review of Effectiveness

The Council had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness was informed by the work of the managers within the Council who had responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates.

The following processes had been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework was maintained by ensuring that the Council's Constitution was reviewed and updated on a regular basis. This included both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompassed and defined the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee.

Regular meetings of the Council and its Committees were held during each year and all reports to the Executive included comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also overseen the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertook a continuous review of its risk-management responsibilities by ensuring that each Directorate maintained an up-to-date Operational Risk Register. Any risks that were considered to affect the Council as a whole were incorporated into the Corporate Risk Register (CRR). This was reviewed and updated by the Corporate Risk Management Group that met on a regular basis either via Teams or via email in 2022/23. Progress on the CRR was reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reported to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presented an annual report that included a statement of assurance relating to the Council's overall standard of internal control, which included assurances obtained from self- assessment questionnaires of main financial systems and assurances taken from second line assurance providers, alongside the results of audit activity. The Council also received external assurances in 2022/23 which inform this statement of assurance.

The Council also received assurances from its external auditors, Grant Thornton, who provided annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions received a management response and were implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document “Delivering Good Governance in Local Government” have been assessed. Where necessary any areas where action was required to ensure that the Council met all of the defined requirements were identified on the Action Plan that formed part of this Statement.

Conclusion

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework. There were no significant weaknesses to report and no action points to consider.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness were not deemed to be significant in nature and were therefore not reported as part of this statement.

SECTION 8 - FINANCIAL ABBREVIATIONS USED IN THIS DOCUMENT

AGS	Annual Governance Statement
AMP	Asset Management Plan
CAA	Capital Adjustment Account
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIES	Comprehensive Income and Expenditure Statement
DWP	Department for Work and Pensions
DLUHC	Department for Levelling Up, Housing and Communities
DFG	Disabled Facilities Grant
FRS	Financial Reporting Standards
IIA	Institute of Internal Auditors
IAS	International Accounting Standards
ISA	International Standards in Auditing
IFRS	International Financial Reporting Standards
JMT	Joint Management Team
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MTFP	Medium Term Financial Plan
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
PPE	Property, Plant and Equipment
PSIAS	Public Sector Internal Auditing Standards
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SMT	Senior Management Team
VFM	Value of Money
WGA	Whole of Government Accounts