



# **Carlisle City Council**

## **Audited Statement of Accounts**

### **Our Financial Performance**

#### **2018/19**



**CARLISLE CITY COUNCIL**

**SINGLE ENTITY**

**AUDITED**

**STATEMENT OF ACCOUNTS**

**2018/19**

# AUDITED STATEMENT OF ACCOUNTS

2018/19

## CONTENTS

Section		Page
	Auditor Opinion	i
1.	Narrative Report	1
2.	Statement of Responsibilities for the Statement of Accounts	19
3.	Financial Statements:	
	Comprehensive Income and Expenditure Statement	20
	Movement in Reserves Statement	21
	Balance Sheet	23
	Cash Flow Statement	25
4.	Notes to the Accounts (including Accounting Policies)	26
5.	Supplementary Financial Statements – Collection Fund Statement	101
6.	Annual Governance Statement	106
7.	Financial Abbreviations	121

## Independent auditor's report to the members of Carlisle City Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Carlisle City Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Corporate Director of Finance and Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director of Finance and Resources. The Corporate Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Carlisle City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

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

### **Gareth Kelly**

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

31 July 2019

## SECTION 1 – NARRATIVE REPORT

### 1.1 Introduction

The City 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 2018/19;
- 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. The Statement of Accounts for the year ended 31 March 2019 have been produced by the Corporate Director of Finance and Resources and consists of the following: -

**(i) The Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Corporate Director of Finance and Resources for preparing the Statement of Accounts.

**(ii) 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.

**(iii) 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 CIPFA Code of Practice on Local Authority Accounting 2018 (the Code) and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services:

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Customer Services	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Digital and Information Services	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Revenues & Benefits	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	Risk Management	Debtors	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships	PA Support Team	Finance	Enterprise Centre	Asset Management Costs (Depreciation)
Community Centres	Economic Development		Human Resources	Health & Safety	
Community Safety	Enterprise Zone		Insurance	Homelessness & Homelessness Accommodation	
Corporate Communications	Planning Enforcement		Organisational Development	Investment & Operational Property	
Emergency Planning	Regeneration & Projects		Section 151	Land Charges	
Events	Rural Policy & Support		Payroll & Personnel	Legal Services	
Green Spaces	Section 106 / Community Infrastructure Levy		Procurement	Licensing	
Marketing	Strategic and Housing Planning Policy			Mayoral Support	
Old Fire Station				Member Services	
Overview & Scrutiny				Monitoring Officer	
Policy & Performance				Private Sector Housing	
Refuse and Recycling				Strategic Property	
Sports Development				Welfare Advice Service	
Street Cleaning					
Third Sector Grants					
Tourism					
Health & Wellbeing					



**(iv) 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”.

**(v) 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.

**(vi) Notes to the Accounts**

These explain in more detail some of the more significant entries in the core financial statements and include details of the significant Accounting Policies used in the preparation of the accounts.

**(vii) 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.

**(viii) The Annual Governance Statement**

This explains the framework within which internal control has been managed and reviewed by the Council during the year of account.

## **1.2 2018/19 Budget and Medium-Term Financial Plan**

The 2018/19 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 2018/19 highlighted that the key risks to the financial future of the Council were the removal of Revenue Support Grant from 2019/20 and the uncertainties around the future design of a Business Rate Retention scheme from 2020 and the Fair Funding Review.

However, given these uncertainties, the budget for 2018/19, which was set in February 2018, showed that although the Council still had to make £1.242million of savings, overall general fund reserves would show a small increase over the period 2018/19 to 2022/23 even considering the loss of Revenue Support Grant.

By the end of 2018/19, the savings still to be achieved on a recurring basis amounted to £1.237million, however £400,000 of this does not need to be found until 2020/21. Due to the uncertainties around future local government funding, these savings are being found on a non-recurring basis where possible.

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.

### Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council's revised budget with its performance for 2018/19. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 19.

2018/19 Revenue Budget	£000
Approved Budget (Council Resolution - March 2018)	11,385
Carry Forward requests (2017/18 In Year)	47
Carry Forward requests (2017/18 Outturn)	664
<b>Budget 2018/19 as at March 2019</b>	<b>12,096</b>
Non-Recurring Expenditure	
Use of Car Park Improvement Reserve	107
Use of Building Control Reserve	32
Use of City Centre Reserve	33
Use of Carry Forward Reserve	180
Use of Promoting Carlisle Reserve	10
Use of Revenue Grants Reserve	919
Use of Prosecution Reserve	15
Use of additional Business Rates Income	400
Additional use of General Fund Reserve	650
Transfer to Planning Services Reserve	(122)
Transfer to Cremator Reserve	(113)
<b>Revised Budget 2018/19</b>	<b>14,207</b>

	Budget £000	Provisional Outturn £000	Variance £000
Community Services	9,358	9,626	268
Corporate Support	1,472	1,376	(96)
Economic Development	1,809	1,786	(23)
Finance and Resources	1,115	839	(276)
Governance and Regulatory Services	881	849	(32)
Corporate Management	(428)	(197)	231
<b>Service Expenditure</b>	<b>14,207</b>	<b>14,279</b>	<b>72</b>
Parish Precepts	613	613	0
<b>Total</b>	<b>14,820</b>	<b>14,892</b>	<b>72</b>
<b>Transfers to/(from) Reserves</b>			
Car Park Improvement Reserve	(107)	(107)	0
Building Control Reserve	(32)	(65)	(33)
City Centre Reserve	(33)	(33)	0
Carry Forward Reserve	(415)	(415)	0
Promoting Carlisle Reserve	(10)	(10)	0
Revenue Grants Reserve	(919)	(777)	142
Prosecution Reserve	(15)	(5)	10
General Fund Reserve	(543)	(655)	(112)
Planning Services Reserve	122	122	0
Cremator Reserve	113	114	1
Apprentice Reserve	0	54	54
<b>Total Transfer to/(from) Reserves</b>	<b>(1,839)</b>	<b>(1,777)</b>	<b>62</b>
Financed by:			
Precept from Collection Fund	(7,600)	(7,600)	0
Business Rate Retention	(4,932)	(5,066)	(134)
Revenue Support Grant	(449)	(449)	0
<b>Total Grants</b>	<b>(12,981)</b>	<b>(13,115)</b>	<b>(134)</b>
<b>Total</b>	<b>(14,820)</b>	<b>(14,892)</b>	<b>(72)</b>

The Council has total usable reserves of £10.170million at 31 March 2019 (£11.932million at 31 March 2018), of which the total earmarked reserves held are £5.540million (£6.232million at 31 March 2018). Further details of these reserves can be found at note 4.6.

For 2018/19 the Council was over spent by £0.072million against the revised budget. This resulted in a higher use of reserves in 2018/19 than expected. However, on top of the over spend, £0.407million has been identified for carrying forward into future years and £0.206million has been placed into earmarked reserves to meet known commitments.

The Council also has other unusable reserves totalling £99.438million at 31 March 2019 (£106.9million at 31 March 2018). Certain reserves are used to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

The table below sets out how the Council's earmarked and general fund reserves levels compares at 31<sup>st</sup> March 2019 to those that were forecast when it set its 2019/20 revenue budget in February 2019.

	Forecast 31/03/2019 £000	Outturn 31/03/2019 £000
<b>General Reserves</b>		
General Fund (including Projects Reserve)	(4,230)	(4,118)
Carry Forward Reserve	(637)	(512)
	<b>(4,867)</b>	<b>(4,630)</b>
<b>Earmarked Reserves</b>		
Transformation Reserve	(150)	(150)
Building Control Reserve	(115)	(85)
Cremator Reserve	(894)	(964)
Economic Investment Reserve	(6)	(6)
City Centre Reserve	(9)	(9)
Welfare Reform Reserve	(200)	(200)
Flooding Reserve	(2,014)	(2,014)
Lanes Reserve	(60)	(60)
GLL Reserve	(273)	(273)
Asset Investment Reserve	(48)	(48)
Planning Services Reserve	(86)	(150)
Promoting Carlisle Reserve	(10)	(10)
Prosecutions and Representations Reserve	(26)	(36)
Revenue Grants Reserve	(1,219)	(1,143)
Revenues & Benefits Reserve	(338)	(338)
Apprentice Reserve	0	(54)
	<b>(5,448)</b>	<b>(5,540)</b>
<b>Total Usable Reserves</b>	<b>(10,315)</b>	<b>(10,170)</b>

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2018/19 has been prepared which provides additional information on the year end position. This is available upon request from the Corporate Director of Finance and Resources.

### 1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life in excess of one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and contributions from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

#### (i) Capital Expenditure

The Council's revised capital programme for 2018/19 was approved at £8.562million. Overall capital spending for 2018/19, totalled £5.864million, resulting in an underspend of £2.698million. Where projects have not completed in the year, £2.322million has been reprofiled to future years. The overall programme can be summarised as follows:

	£000	£000
<b>Revenue Expenditure funded from Capital Under Statute</b>		
Disabled Facilities Grants	2,133	
Central Plaza	610	
Other Schemes	110	
		2,853
<b>Capital Investment on Assets</b>		
Industrial Estates	226	
Cycleway	178	
Equipment, Vehicles and Plant	594	
Enhancements to Council Property	309	
Play Areas and Open Space Improvements	125	
Sands Centre Redevelopment	1,230	
Car Park Improvements	180	
Other	169	
		3,011
		<b>5,864</b>

The programme has been financed as follows:

	£000
Capital Receipts	607
Specified Capital Grant	1,760
Other Capital Grants and Contributions	329
Direct Revenue Financing	2,110
Unfinanced Capital Expenditure	1,058
	<b>5,864</b>

#### (i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council currently has a stock issue of £15million as its external borrowing liabilities. The Council has not been required to take advantage of the Prudential Borrowing regime introduced in April 2004 with no new borrowing undertaken in 2018/19. This position is regularly reviewed in the light of total available capital resources.

#### (ii) Capital Receipts

The Council utilises capital receipts generated from the sale of its assets to pay for its capital spending wherever possible. This includes assets disposed of in line with the Council's Asset Disposal Business Plan.

## 1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's finances. The Council's holding of Property, Plant and Equipment and Investment Properties has decreased slightly in value in the year from £153.787million to £153.315million.

### (i) Reserves & Balances

The following table shows a reconciliation between the amount of cash-backed reserves held by the Council at 31 March and the amount of cash and investments it held at 31 March.

2017/18 £000		2018/19 £000
(5,700)	General Fund Balance	(4,630)
(366)	Capital Reserves	(381)
(5,866)	Earmarked Reserves	(5,159)
165	Collection Fund Adj Account	(305)
(1,365)	Provisions	(1,849)
(136)	Capital Grant Unapplied	(136)
<b>(13,268)</b>	<b>Amount available for Investment</b>	<b>(12,460)</b>
	Investments	
3,383	Long Term	3,436
7,500	Short Term	14,500
789	Cash & Cash Equivalents	1,600
<b>11,672</b>	<b>Total Investments</b>	<b>19,536</b>
<b>(1,596)</b>	<b>Surplus Monies / (Internal Borrowing)</b>	<b>7,076</b>
3,953	Working Capital	(5,745)
<b>2,357</b>	<b>Surplus Monies / (Internal Borrowing)</b>	<b>1,331</b>

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed reserves and balances (£12.462million) and cash held in working capital. The net position shows that £1.331million can be represented by a position of over borrowing. The actual borrowing the Council held at 31 March was £15.013million, the actual borrowing requirement the Council had at 31 March was £13.683million (Note 4.40). In effect the Council is holding this surplus cash from its borrowings. This is in line with expectations when the 2019/20 budget was set which showed a surplus over borrowed position of £1.449million.

## 1.5 Cash Flows

During 2018/19 the net change in cash and cash equivalents was £0.330million.

## 1.6 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £40.124million at 31 March 2019.

The liability shows the underlying long-term commitments that the Council has to pay in respect of retirement benefits. The total liability of £40.124million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to

deal with the funding deficit mean that the financial position of the Council remains robust. The deficit on the local government pension scheme will be dealt with by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

The Pension Liability reported in these statements has not been adjusted to take account of the recent 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. The Council has undertaken an assessment the judgement would have on its pension liabilities and figures provided by the actuary indicate that the pension liability would be £1.020million greater due to an increase in past service costs.

As part of this additional work undertaken, the actuary also revised the return on pension assets to incorporate the actual return achieved as at 31 March. This meant that assets on pensions would also have increased by £747,000. The overall impact of these would mean the pension liability as reported would be £40.397million rather than £40.124million.

The Council took advantage of paying its deficit funding requirement for the years 2017/18 to 2019/20 up-front to the pension fund. This enabled it to achieve savings in the overall deficit funding required over the three-year period of the pension fund valuation period. An up-front payment, based on estimates for 2018/19, was also paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year. Due to the upfront payment on past service costs, the pension liability on the balance sheet is lower than the amount held in the pension reserve. These will balance out in the final year of the triennial valuation period (2019/20).

## **1.7 Significant Issues**

### **(i) Revaluation of Assets**

A revaluation of all Property assets has been undertaken as at 31 March 2019. Included in the Comprehensive Income and Expenditure Statement within Services are net upward revaluations totalling £0.188million in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net decrease in value of £2.400million.

### **(ii) Economic Climate**

The Council continued to experience the effects of low interest rates in 2018/19, however the slight increase in bank rates part way through the year brought some slight improvements in investment returns. Expenditure on employee costs increased from 2017/18 levels from £16.898million to £17.782million. Other expenditure decreased from 2017/18 levels of £44.629million to £41.065million due to lower levels of Housing Benefit grant payments and flood resilience grants paid out.

The introduction of Universal Credit has seen a reduction in the amount of Housing Benefit paid out by the Council as claimants transfer on to the new requirement. It is anticipated that this will have a continued effect in the future.

### **(iii) Key Risks**

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- There is a risk that the Government fails to communicate changes to future local government funding from 2020 in a timely manner, meaning that the City Council cannot effectively prepare for these changes;

- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions;
- There is a risk that we fail 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.
- There is a risk that we fail 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.
- There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence or malice
- There is a risk that unauthorised access is gained to our Information and Technology (I&T) infrastructure.
- There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.

These risks are monitored to ensure they are mitigated and managed as far as possible.

#### **(iv) Key Opportunities**

The Council continues 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. Detailed talks with both Governments continue to develop detailed business cases and Heads of Terms in order to deliver the projects in the deal.

A decision was made by full Council in June 2019 to progress the delivery of new leisure facilities at the Sands Centre. The Council's capital programme will reflect the £25.5million scheme and funding with completion of the scheme anticipated in mid-2021.

## **1.8 Council Priorities**

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report communicates the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015.

The Carlisle Plan outlines the key priorities for the Council. These key priorities are:

- Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle;
- Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents;
- Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle;
- Address current and future housing needs to protect and improve residents' quality of life;
- Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential.

The Council monitors its non-financial performance through ten 'Service Standards'. These provide a standard in service that our customers can expect from the City Council and a standard by which the Council can be held to account. The measures of the standard of services are based on timeliness, accuracy and quality of the service the Council provides in areas that have a high impact on our customers.

The Council operates with the following core principles that underpin 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.

### **Operational Model**

The Council received the majority of its funding from taxation - Council Tax (£7.6million) levied on residents and Business Rates (£5.1million) levied on businesses. It also received funding from Central Government in the form of Specific Grants such as Revenue Support Grant, New Homes Bonus and Housing Benefit Administration Grant.

As well as core funding sources, the Council also relies heavily on income from fees and charges and rental income from its significant asset portfolio. These provide a valuable source of funding that can be used to supplement the service delivery for the residents of Carlisle.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. The key services the Council delivers are 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 are provided with support from external organisations primarily Greenwich Leisure Ltd, and Tullie House Museum and Art Gallery Trust.

Employees are a valuable asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Carlisle.

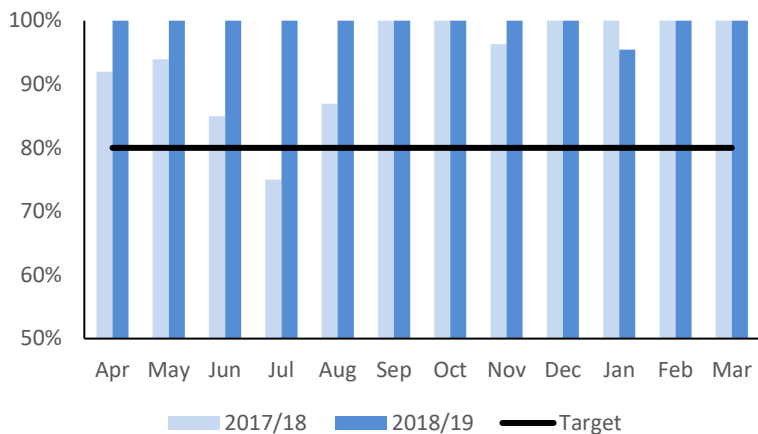
In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it has to ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has managed to continue to set a balanced budget.

In 2018/19 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council could deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

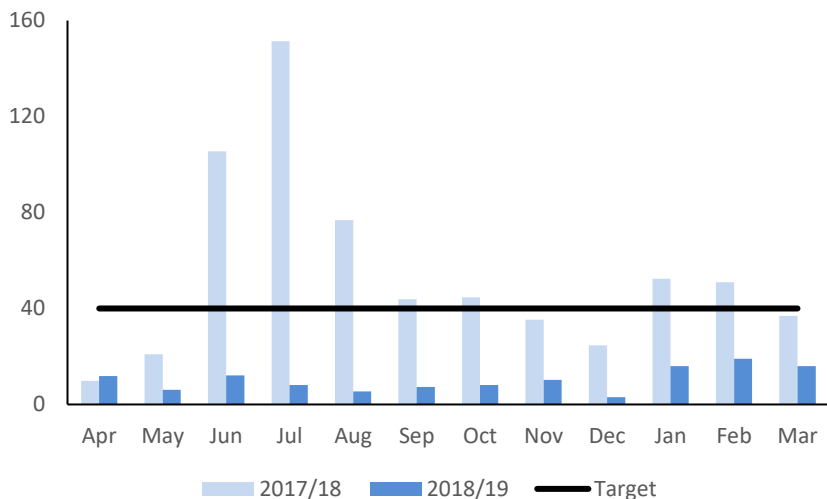
## **1.9 Non-Financial Performance**

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

**Percentage of Household Planning Applications processed within eight weeks**

Service Standard	To end of 2018/19	Performance by Month	Further Information																																																				
80% (Nationally set target)	99.7% (2017/18: 93.4%)	 <table><thead><tr><th>Month</th><th>2017/18 (%)</th><th>2018/19 (%)</th><th>Target (%)</th></tr></thead><tbody><tr><td>Apr</td><td>92</td><td>100</td><td>80</td></tr><tr><td>May</td><td>94</td><td>100</td><td>80</td></tr><tr><td>Jun</td><td>85</td><td>100</td><td>80</td></tr><tr><td>Jul</td><td>75</td><td>100</td><td>80</td></tr><tr><td>Aug</td><td>87</td><td>100</td><td>80</td></tr><tr><td>Sep</td><td>100</td><td>100</td><td>80</td></tr><tr><td>Oct</td><td>100</td><td>100</td><td>80</td></tr><tr><td>Nov</td><td>96</td><td>100</td><td>80</td></tr><tr><td>Dec</td><td>100</td><td>100</td><td>80</td></tr><tr><td>Jan</td><td>100</td><td>95</td><td>80</td></tr><tr><td>Feb</td><td>100</td><td>100</td><td>80</td></tr><tr><td>Mar</td><td>100</td><td>100</td><td>80</td></tr></tbody></table>	Month	2017/18 (%)	2018/19 (%)	Target (%)	Apr	92	100	80	May	94	100	80	Jun	85	100	80	Jul	75	100	80	Aug	87	100	80	Sep	100	100	80	Oct	100	100	80	Nov	96	100	80	Dec	100	100	80	Jan	100	95	80	Feb	100	100	80	Mar	100	100	80	305 household planning applications have been processed in 2018/19 compared with 288 last year.
	Month	2017/18 (%)	2018/19 (%)	Target (%)																																																			
	Apr	92	100	80																																																			
May	94	100	80																																																				
Jun	85	100	80																																																				
Jul	75	100	80																																																				
Aug	87	100	80																																																				
Sep	100	100	80																																																				
Oct	100	100	80																																																				
Nov	96	100	80																																																				
Dec	100	100	80																																																				
Jan	100	95	80																																																				
Feb	100	100	80																																																				
Mar	100	100	80																																																				
<b>On target?</b>																																																							
✓																																																							

**Number of missed waste or recycling collections**

Service Standard	To end of 2018/19	Performance by Month	Further Information																																																				
40 missed collections per 100,000 (Industry standard)	10.1 (2017/18: 53.3)	 <table><thead><tr><th>Month</th><th>2017/18</th><th>2018/19</th><th>Target</th></tr></thead><tbody><tr><td>Apr</td><td>10</td><td>10</td><td>40</td></tr><tr><td>May</td><td>20</td><td>5</td><td>40</td></tr><tr><td>Jun</td><td>100</td><td>10</td><td>40</td></tr><tr><td>Jul</td><td>150</td><td>5</td><td>40</td></tr><tr><td>Aug</td><td>75</td><td>5</td><td>40</td></tr><tr><td>Sep</td><td>45</td><td>5</td><td>40</td></tr><tr><td>Oct</td><td>45</td><td>5</td><td>40</td></tr><tr><td>Nov</td><td>35</td><td>5</td><td>40</td></tr><tr><td>Dec</td><td>20</td><td>2</td><td>40</td></tr><tr><td>Jan</td><td>50</td><td>15</td><td>40</td></tr><tr><td>Feb</td><td>50</td><td>15</td><td>40</td></tr><tr><td>Mar</td><td>40</td><td>15</td><td>40</td></tr></tbody></table>	Month	2017/18	2018/19	Target	Apr	10	10	40	May	20	5	40	Jun	100	10	40	Jul	150	5	40	Aug	75	5	40	Sep	45	5	40	Oct	45	5	40	Nov	35	5	40	Dec	20	2	40	Jan	50	15	40	Feb	50	15	40	Mar	40	15	40	Just under four million collections were due to be made in 2018/19. 382 collections were missed meaning the success rate was 99.99%.
	Month		2017/18	2018/19	Target																																																		
	Apr		10	10	40																																																		
May	20	5	40																																																				
Jun	100	10	40																																																				
Jul	150	5	40																																																				
Aug	75	5	40																																																				
Sep	45	5	40																																																				
Oct	45	5	40																																																				
Nov	35	5	40																																																				
Dec	20	2	40																																																				
Jan	50	15	40																																																				
Feb	50	15	40																																																				
Mar	40	15	40																																																				
On target?																																																							
✓																																																							

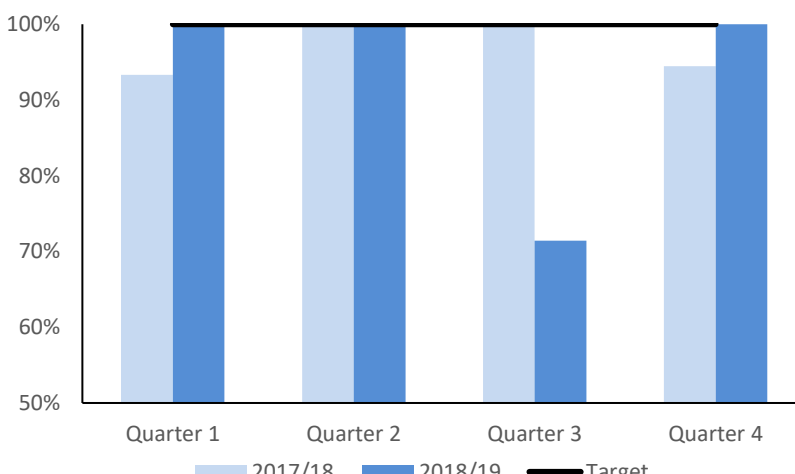
**Percentage of household waste sent for recycling**

Service Standard	To end of Feb 2019	Performance by Month	Further Information
50% by 2020 (Nationally set target)	41.8%  (end of Feb 2018: 41.9%)	<p>80% 70% 60% 50% 40% 30% 20% 10% 0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2017 2018 2020 Target</p>	<p>Recycling rates nationally have stagnated and even reduced in some areas. Rates were down in July and August this year due to a 17.5% reduction in the tonnage of green waste collected compared to last year as a consequence of the dry weather. A new 'campaign' to increase participation in recycling started in Quarter 4.</p>
	On target?		
	×		

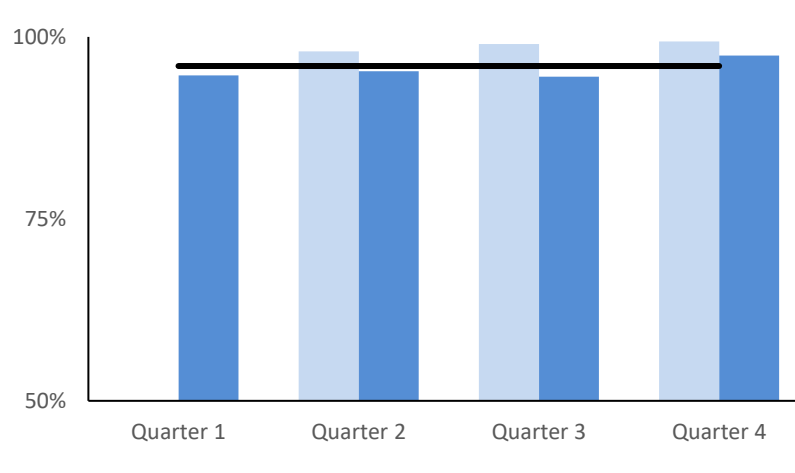
**Average number of days to process new benefits claims**

Service Standard	To end of 2018/19	Performance by Month	Further Information
New claims should be processed within 19 days to achieve top two quartiles compared to other local authorities	19.7 days  (2017/18: 17.4 days)	<p>25 20 15 10 5 0</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2017/18 2018/19 Target</p>	<p>This measure is the combined average for all new claims processed, both Housing Benefit (HB) and our Council Tax Reduction Scheme (CTRS). For universal credit customers there are delays in claims being made or all information being provided for CTRS. As a result, overall performance is being affected, in some cases by factors that are outside of our control. The split of the 19.7 days achieved for 2018/19 is as follows <b>HB</b> 17.6 days <b>CTRS</b> 20.9 days</p>
	On target?		
	▲		

**Percentage of Corporate Complaints dealt with within timescale**

Service Standard	To end of 2018/19	Performance by Quarter	Further Information
Corporate complaints should be dealt with within 15 working days	93.3% (2017/18: 96.9%)	 <p>2017/18 2018/19 Target</p>	28 out of 30 corporate complaints were completed on time in 2018/19. Two Development Control complaints in Quarter 3 required lengthy and complex technical input to provide a full response. No complaints were referred to the Ombudsman in 2018/19.
	On target?		
	×		

**Proportion of food businesses that are broadly compliant or better with food safety legislation**

Service Standard	Rolling figure to end of Quarter 4 2018/19	Performance by Quarter	Further Information
Our work with local food businesses should ensure that 96% are at least broadly compliant.	97.4% (End of 2017/18: 99%)	 <p>2017/18 2018/19 Target</p>	Approximately 200 premises are inspected each quarter. All premises are inspected at least once every eighteen months. Up to the end of March, 1063 out of 1091 inspections were broadly compliant.
	On target?		
	✓		

**Proportion of non-contentious licence applications completed on time**

Service Standard	To end of 2018/19	Performance by Quarter	Further Information
100% of non-contentious licence applications should be completed within 10 working days	99.9% (2017/18: 100%)	<p>100%</p> <p>95%</p> <p>90%</p> <p>Quarter 1 Quarter 2 Quarter 3 Quarter 4</p> <p>2017/18 2018/19 Target</p>	<p>932 out of 933 applications completed on time in 2018/19.</p> <p>In 2017/18 100% of 871 applications were completed on time.</p>
	On target?		
	▲		

**Proportion of official local authority searches completed on time**

Service Standard	To end of 2018/19	Performance by Month	Further Information
85% of official local authority searches should be completed within 10 working days	92.2% (2017/18: 41.8%)	<p>100%</p> <p>80%</p> <p>60%</p> <p>40%</p> <p>20%</p> <p>0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2017/18 2018/19 Target</p>	<p>704 searches were completed in the year.</p>
	On target?		
	✓		

**Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)**

Service Standard	To end of 2018/19	Performance by Month	Further Information																																							
95% delivered within 10 working days	92.2% (2017/18: 78%)	<table><caption>Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)</caption><thead><tr><th>Month</th><th>2017/18 (%)</th><th>2018/19 (%)</th></tr></thead><tbody><tr><td>Apr</td><td>38</td><td>78</td></tr><tr><td>May</td><td>72</td><td>92</td></tr><tr><td>Jun</td><td>65</td><td>100</td></tr><tr><td>Jul</td><td>68</td><td>100</td></tr><tr><td>Aug</td><td>85</td><td>95</td></tr><tr><td>Sep</td><td>80</td><td>98</td></tr><tr><td>Oct</td><td>90</td><td>95</td></tr><tr><td>Nov</td><td>98</td><td>95</td></tr><tr><td>Dec</td><td>98</td><td>98</td></tr><tr><td>Jan</td><td>98</td><td>88</td></tr><tr><td>Feb</td><td>95</td><td>72</td></tr><tr><td>Mar</td><td>92</td><td>90</td></tr></tbody></table>	Month	2017/18 (%)	2018/19 (%)	Apr	38	78	May	72	92	Jun	65	100	Jul	68	100	Aug	85	95	Sep	80	98	Oct	90	95	Nov	98	95	Dec	98	98	Jan	98	88	Feb	95	72	Mar	92	90	Performance in 2018/19 is slightly below the target but has shown a significant progress on 2017/18 performance
	Month		2017/18 (%)	2018/19 (%)																																						
	Apr		38	78																																						
May	72	92																																								
Jun	65	100																																								
Jul	68	100																																								
Aug	85	95																																								
Sep	80	98																																								
Oct	90	95																																								
Nov	98	95																																								
Dec	98	98																																								
Jan	98	88																																								
Feb	95	72																																								
Mar	92	90																																								
On target?																																										
✓																																										

**Average number of working days to process benefit claimants' changes of personal details**

Service Standard	To end of 2018/19	Performance by Month	Further Information																																							
Changes should be processed within 8 days	3.8 days  (2017/18: 4.5 days)	<table><caption>Average number of working days to process benefit claimants' changes of personal details</caption><thead><tr><th>Month</th><th>2017/18 (days)</th><th>2018/19 (days)</th></tr></thead><tbody><tr><td>Apr</td><td>4.5</td><td>4.2</td></tr><tr><td>May</td><td>5.2</td><td>5.1</td></tr><tr><td>Jun</td><td>5.8</td><td>4.9</td></tr><tr><td>Jul</td><td>6.2</td><td>4.2</td></tr><tr><td>Aug</td><td>4.5</td><td>3.8</td></tr><tr><td>Sep</td><td>5.5</td><td>5.1</td></tr><tr><td>Oct</td><td>5.0</td><td>4.1</td></tr><tr><td>Nov</td><td>5.2</td><td>5.4</td></tr><tr><td>Dec</td><td>5.2</td><td>4.0</td></tr><tr><td>Jan</td><td>5.3</td><td>3.5</td></tr><tr><td>Feb</td><td>2.0</td><td>1.8</td></tr><tr><td>Mar</td><td>5.2</td><td>3.2</td></tr></tbody></table> <p>2017/18 2018/19 Target</p>	Month	2017/18 (days)	2018/19 (days)	Apr	4.5	4.2	May	5.2	5.1	Jun	5.8	4.9	Jul	6.2	4.2	Aug	4.5	3.8	Sep	5.5	5.1	Oct	5.0	4.1	Nov	5.2	5.4	Dec	5.2	4.0	Jan	5.3	3.5	Feb	2.0	1.8	Mar	5.2	3.2	Over thirty-three thousand changes were processed in 2018/19.
	Month		2017/18 (days)	2018/19 (days)																																						
	Apr		4.5	4.2																																						
May	5.2	5.1																																								
Jun	5.8	4.9																																								
Jul	6.2	4.2																																								
Aug	4.5	3.8																																								
Sep	5.5	5.1																																								
Oct	5.0	4.1																																								
Nov	5.2	5.4																																								
Dec	5.2	4.0																																								
Jan	5.3	3.5																																								
Feb	2.0	1.8																																								
Mar	5.2	3.2																																								
On target?																																										
✓																																										

## 1.10 Value for Money

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

## 1.11 Workforce

As at 31 March 2019 the Council employed 454 employees. This was split 234 females and 220 males. There were 308 full time employees with 146 part-time/job-share.

As at 31 March 2018 the Council employed 459 employees. This was split 241 females and 218 males. There were 322 full time employees with 137 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2018/19 paid over £41,588 into its Digital Apprenticeship Service Account. The Council accessed £17,198.77 of funding for apprenticeship training in 2018/19, with the balance carried forward being £60,716.67 which can be accessed in 2019/20.

### **1.12 Expenditure & Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at Note 4.12.

### **1.13 Major Influences on the Authority**

During 2018/19 the Council has continued to recognise that it will be required to make savings through its programme of transformational change in light of reducing funding levels. Where possible these savings are being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system will affect the Council financially in the longer term.

### **1.14 Going Concern**

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium-Term Financial Plan (MTFP). The usable cash reserves position (£10.326million) remains healthy and on the Balance Sheet the Current Assets position of £19.514million is higher than Current Liabilities position of £10.084million so liquidity in the short term is positive.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£1.230million), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, employee remuneration).

### **1.15 Brexit**

There are still uncertainties around how the UK's departure from the European Union will affect the Council in the short and long-term however these have currently not had any impact on the preparation of these accounts or any figures contained therein.

### **1.16 Prior Period Adjustments**

The Council has incorporated the changes required as a result of the adoption of IFRS9 – Financial Instruments and IFRS15 – Revenue from contracts. The changes have resulted in some restatements of prior year comparators. Details of these adjustments can be found at note 4.4.

There have also been some minor changes to reporting departments in the CIES.

### **1.17 Events after the Balance Sheet Date**

Events taking place after the 31 March 2019 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **1.18 Accounting Policy Information**

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2018/19 Code of Practice on Local Authority Accounting.

### **1.19 Further Information**

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Corporate Director of Finance and Resources, Civic Centre, Rickergate, Carlisle. In addition, members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

Signed:

A Taylor  
Corporate Director of Finance and Resources

Date: 22 July 2019



## 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 Corporate Director of Finance and Resources;
- 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 Corporate Director of Finance and Resources

The Corporate Director of Finance and Resources 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 Corporate Director of Finance and Resources 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 Corporate Director of Finance and Resources 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;

The Corporate Director of Finance and Resources is required to give a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Signed:

Alison Taylor  
Corporate Director of Finance and Resources

Date: 22 July 2019

## SECTION 3 – FINANCIAL STATEMENTS

### 3.1 Comprehensive Income and Expenditure Statement

2017/18 (Restated)				Note	2018/19		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
15,902	(5,882)	10,020	Community Services		15,243	(5,586)	9,657
3,907	(2,640)	1,267	Economic Development		4,955	(2,222)	2,733
3,457	(1,735)	1,722	Corporate Support		3,253	(1,578)	1,675
27,385	(27,397)	(12)	Finance and Resources		25,711	(25,835)	(124)
8,932	(4,300)	4,632	Governance & Regulatory Services		8,984	(3,548)	5,436
437	(87)	350	Corporate Management		817	(112)	705
3,214	(7,221)	(4,007)	Exceptional Item - Flooding		7	(7)	0
<b>63,234</b>	<b>(49,262)</b>	<b>13,972</b>	<b>Cost of Services</b>	<b>4.12</b>	<b>58,970</b>	<b>(38,888)</b>	<b>20,082</b>
946	(718)	228	Other Operating Expenditure	4.8	1,229	(451)	778
9,975	(4,959)	5,016	Financing and Investment Income and Expenditure	4.9	5,775	(5,031)	744
0	(17,676)	(17,676)	Taxation and Non-Specific Grant Income	4.10	0	(15,595)	(15,595)
<b>74,155</b>	<b>(72,615)</b>	<b>1,540</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>4.12</b>	<b>65,974</b>	<b>(59,965)</b>	<b>6,009</b>
		668	Surplus or Deficit on Revaluation of Non Current Assets	4.39a			(1,327)
		(152)	Surplus or Deficit on Revaluation of Available for Sale Financial Assets	4.39g			0
		(8,852)	Remeasurements of the Net Defined Benefit Liability / (Asset)	4.39c			4,568
		<b>(8,336)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>3,241</b>
		<b>(6,796)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>9,250</b>

### 3.2 Movement in Reserves Statement

2018/19	Note	General Fund Balances	Deferred Credits	Capital Grant Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>		<b>11,932</b>	<b>20</b>	<b>136</b>	<b>12,088</b>	<b>106,926</b>	<b>119,014</b>
<b>Movement in reserves during 2018/19</b>							
Total Comprehensive Income and Expenditure		(6,009)	0	0	(6,009)	(3,241)	(9,250)
Adjustments between accounting basis and funding basis under regulations	4.5	4,247	0	0	4,247	(4,247)	0
<b>Increase/Decrease in Year</b>		<b>(1,762)</b>	<b>0</b>	<b>0</b>	<b>(1,762)</b>	<b>(7,488)</b>	<b>(9,250)</b>
<b>Balance at 31 March 2019</b>		<b>10,170</b>	<b>20</b>	<b>136</b>	<b>10,326</b>	<b>99,438</b>	<b>109,764</b>

2017/18	Note	General Fund Balances £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2017</b>		<b>8,400</b>	<b>20</b>	<b>171</b>	<b>8,591</b>	<b>103,627</b>	<b>112,218</b>
<b>Movement in reserves during 2017/18</b>							
Total Comprehensive Income and Expenditure		(1,540)	0	0	(1,540)	8,336	6,796
Adjustments between accounting basis and funding basis under regulations	4.5	5,072	0	(35)	5,037	(5,037)	0
<b>Increase/Decrease in Year</b>		<b>3,532</b>	<b>0</b>	<b>(35)</b>	<b>3,497</b>	<b>3,299</b>	<b>6,796</b>
<b>Balance at 31 March 2018</b>		<b>11,932</b>	<b>20</b>	<b>136</b>	<b>12,088</b>	<b>106,926</b>	<b>119,014</b>

### 3.3 Balance Sheet

31 March 2018		Note	31 March 2019	
£000	£000		£000	£000
198		4.27		
29,586			201	
5,082			30,665	
4,021			5,223	
6,677			4,076	
			6,224	
1,153		4.30	884	
25			1,470	
	46,742			48,743
87,484		4.29	85,038	
59			32	
19,502		4.31	19,502	
3,383		4.33	3,436	
144		4.33	132	
0		4.33	7	
	110,572			108,147
	<b>157,314</b>	<b>Total Long Term Assets</b>		<b>156,890</b>
	7,508	4.33		14,547
382		4.36		0
789		4.35		1,600
45				49
8,602		4.34	2,945	
486			373	
	9,088			3,318
	<b>17,812</b>	<b>Total Current Assets</b>		<b>19,514</b>
(260)		4.38	(174)	
(688)		4.38	(1,321)	
	(948)			(1,495)
	(482)	4.33		(482)
	0	4.35		(481)
(4,684)		4.37	(6,953)	
(629)			(671)	
	(5,313)			(7,624)
	0			(2)
	<b>(6,743)</b>	<b>Total Current Liabilities</b>		<b>(10,084)</b>
	(905)	4.37		(1,078)
(15,000)		4.33		(15,000)
(417)		4.38		(354)
(33,047)		4.42		(40,124)
	<b>(49,369)</b>	<b>Total Long Term Liabilities</b>		<b>(56,556)</b>
	<b>119,014</b>	<b>Net Assets</b>		<b>109,764</b>

31 March 2018		Balance Sheet (Cont.)	Note	31 March 2019	
£000	£000			£000	£000
20		<b>Usable Reserves</b>	4.6	20	
5,700		Deferred Credits		4,630	
6,232		General Fund Reserves	4.6	5,540	
136		Earmarked Reserves		136	
		Capital Grants Unapplied Account			
	12,088	<i>Total Usable Reserves</i>			10,326
(34,938)		<b>Unusable reserves</b>	4.39	(41,080)	
546		Pension Reserve		0	
0		Available for Sale Reserve		599	
(174)		Pooled Investment Fund Adjustment Account		(151)	
114,754		Employee Benefit Reserve		111,796	
(165)		Capital Adjustment Account		305	
26,903		Collection Fund Adjustment Account		27,969	
		Revaluation Reserve			
	106,926	<i>Total Unusable Reserves</i>			99,438
	<b>119,014</b>	<b>Total Reserves</b>			<b>109,764</b>

I certify that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Signed:

A Taylor – Corporate Director of Finance and Resources

Date: 31 May 2019 and 22 July 2019

These accounts were originally authorised for issue on 31 May 2019 and have been subsequently re-authorised for issue on 22 July 2019

Approved by Audit Committee on 30 July 2019

Signed:

Councillor Bomford  
Chair of Audit Committee

Date: 30 July 2019

### 3.4 Cash Flow Statement

2017/18 £000		Note	2018/19 £000
1,540	<b>Net (surplus) or deficit on the provision of services</b>		6,009
(9,696)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.46	(14,681)
2,202	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.46	776
<b>(5,954)</b>	<b>Net cash flows (inflows)/outflows from Operating Activities</b>		<b>(7,896)</b>
3,542	Investing Activities	4.47	9,195
4,313	Financing Activities	4.47	(1,629)
<b>1,901</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(330)</b>
2,690	Cash and cash equivalents at the beginning of the reporting period		789
<b>789</b>	Cash and cash equivalents at the end of the reporting period		<b>1,119</b>

## SECTION 4 – NOTES TO THE ACCOUNTS

### 4.0 Accounting Policies

#### **4.0.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

#### **4.0.2 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 on the basis of 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 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.

#### **4.0.3 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.

#### **4.0.4 Exceptional Items**

When items of income and expense are material and out of the ordinary, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **4.0.5 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.

#### **4.0.6 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 fixed 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 fixed assets attributable to the service.

The Council is not required to raise council tax to cover these costs but is required to make an annual contribution to reduce its overall borrowing requirement. This is known as the Minimum Revenue Provision and is calculated as 3% of the Council's Capital Financing Requirement at the start of the financial year on a straight-line basis. Depreciation, impairment losses, revaluation losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

#### **4.0.7 Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **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 authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS37 and involves the payment of termination benefits.

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 Local Government Pension Scheme (LGPS) administered by Cumbria County Council.

The scheme is a funded defined benefit scheme meaning that the scheme provides retirement lump sums and pensions, earned as employees work for the Council. As a defined benefit scheme, it is shown within the Council's accounts using the following principles:

- 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. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 2.4%.
- The assets of the LGPS 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 – market value

Around 72% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into six components and recognised in the Statements as follows:

Service Cost comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
- **Net Interest on the defined pension liability (asset)** – i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **Contributions paid to the Cumbria Local Government Pension Fund** – cash paid as employers' contributions to the pension fund. This is not accounted for as an expense.

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 4.42 to the Accounts.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This therefore means that within the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional transactions for retirement benefits and replace them with debits for the amounts paid to the pension fund in the year and any such amounts payable but unpaid at the year-end.

The 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 cash flows 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. 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.

### **4.0.8 Events after the Balance Sheet Date**

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

- those that provide evidence of conditions that existed at the 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.

### **4.0.9 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 and are initially measured at fair value and are carried at their amortised cost. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

#### **(i) Borrowing**

Borrowing is classed as either a long-term liability, repayable after 12-months or longer, or a current liability if it is repayable within a 12-month period. Borrowing is shown in the Balance Sheet at amortised cost using the effective interest rate that applies to the individual loans comprising the total borrowing held by the Council. For borrowing held by the Council, this means that the amount shown in the balance sheet represents the

outstanding principal payable to the lender and the interest on the borrowing that is charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year under the loan agreement.

**(ii) Creditors**

Creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the balance sheet represents the current value of the outstanding liabilities of the Council at 31 March as a proxy for amortised cost.

**Financial Assets**

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair Value through Profit or Loss (FVPL), and
- Fair Value through other comprehensive income (FVOCI)

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

**Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

**Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

**Financial Assets Measured at Fair Value through Profit and Loss (FVPL)**

Financial assets that are measured at Fair Value through Profit and Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **4.0.10 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.

#### **4.0.11 Heritage Assets**

##### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

The majority of the Council's Heritage Assets are held in the Council's Museum. The Museum has four collections of heritage assets, Archaeology, Social History, Natural History and Fine and Decorative Arts, which are held in support of the primary objective of the Council's Museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as described below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's primary collections of heritage assets are accounted for as follows.

**Museum Collection**

The Council's museum collection consists of a significant number of artefacts including pictures, prints, sculptures, china, glass, porcelain, coins, medals archaeological items, as well as significant numbers of social and natural history items, costumes and firearms. Museum collections are reported in the Council's balance sheet at insurance valuation 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.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations being based on appropriate insurance values. The Museum has a defined acquisitions and disposals policy for the period 2016 - 2019 that sets out the policy for the development of collections at the museum.

Heritage assets will not be subject to depreciation as it is not deemed appropriate to estimate a useful life for the assets held.

**Statues, Monuments and other historical buildings**

The Council has a number of statues and monuments and other historical buildings that it does not consider that reliable cost or valuation information can be obtained. This is due to the historical significance of such items. However, in some cases, historical cost information is recorded, particularly those that were previously classified as Community assets. Therefore, those items that were previously categorised as Community Assets will be recognised at their historic cost. This will be re-evaluated so that the most appropriate valuation basis is used, and those previously not recognised (primarily statues and monuments) will not be recognised on the balance sheet although appropriate disclosures made.

**Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 4.0.16 in this summary of significant accounting policies. 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.

**4.0.12 Inventories and Long-Term Contracts**

Stocks are reflected 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 or net realisable value where they are acquired through an exchange transaction.

**4.0.13 Investment Property**

Investment properties are those that are used solely to earn rentals and for capital appreciation or both. The definition is not met if the property is used in the production or supply of goods or services or for administrative purposes or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses 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.

#### **4.0.14 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.

#### **4.0.15 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non- Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

#### **4.0.16 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 accrual 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.

De-minimis levels have been set at:

- £5,000 for expenditure on individual items of vehicles, plant and equipment;
- £20,000 for expenditure on land, buildings and other structures.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- 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 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 – depreciated 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.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. 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 a loss previously charged to a service.



Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure 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 impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **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).

Depreciation is calculated on the following bases:

Asset Category	Rate	Basis
Dwellings & Other Buildings	Useful Life	Straight Line
Infrastructure Assets	Useful Life	Straight Line
Vehicles, Plant, furniture & Equipment	Useful Life	Straight Line
Intangible Assets	Useful Life	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.

### **Componentisation**

The Council has a policy on componentisation where any asset with a Gross Book Value of more than £1million and is subject to depreciation will be considered for componentisation where a

component is deemed to be more than 5% of the assets value. This will primarily apply to buildings and the major components to be considered will be:

Component
Heating and Ventilation System
Windows
Electrical
Water Systems
Roofing
Lifts

#### **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 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. 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 written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **4.0.17 Current and 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 equity shareholdings at current or fair value at each reporting date. Current or 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 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 Council measures the current or fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the current or fair value of a non-financial asset, the council 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 council uses valuation techniques 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.

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

**Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.

#### **4.0.18 Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 now 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 for the relevant service if it is virtually certain that reimbursement 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 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 or otherwise of 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 potential.

**4.0.19 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a 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. The reserve is then appropriated back into the 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 for managing the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**4.0.20 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. 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.

**4.0.21 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.

**4.0.22 Council Tax / Non-Domestic Rates (NDR) Income**

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing authority the Council acts as an agent. During 2018/19 the Council collected and distributed NDR on behalf of itself, the Government and Cumbria County Council. Council Tax was collected and distributed on behalf of the City Council, the County Council, the Police and Crime Commissioner for Cumbria and local town and parish councils.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year. Business rates accrued income for the year as well as business ratepayers, debtors, creditors and provisions for bad debts and appeals are shared between the Council (40%), Government (50%) and Cumbria County Council (10%).

Collection Fund Debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund Debtors shown in the balance sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General

Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

## 4.1 Accounting Standards that have been issued but have not yet been adopted

The following Accounting Standards have been issued but have yet to be adopted that could impact the Council.

- Amendments to IAS40 – Investment Properties (Issued December 2016)  
Introduces changes in relation to transfers of investment properties and that transfers can only take place to or from investment properties category where there is evidence of a change in use and not just a change in managements intention for the use of a property. It is not anticipated that this will have a significant impact on the Council as there are rarely transfers to/from the investment property category.
- IFRS 16 Leases  
This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. The impact will be mainly presentational; the revenue impact will be neutral. The Council has limited exposure as a lessee so there is expected to be minimal impact. The adoption of this standard has been deferred until 1 April 2020.

The effect of these changes will be assessed and where necessary figures will be restated in the Financial Statements for 2019/20.

## 4.2 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 4.0, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment (£48.743million at 31.03.19)	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme includes funding for enhancements to Council property.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by £288,000 for every year that useful lives had to be reduced.
Debtors & Creditors (£2.945million and £6.953million at 31.03.19)	Debtors and creditor accruals are prepared on known invoices received/due, or are based on estimates of grant claims, accounting adjustments calculated from systems, e.g. Collection Fund.	Any creditors or debtors that are paid in 2019/20 that differ from the accrual made will result in the difference being funded from the 2019/20 budget.
Pension Liability (£40.124million at 31.03.19)	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 actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.275million
Business Rate Appeals Provision (£3.302million at 31.03.19)	The Business Rates appeals provision is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2019. Appeals are dealt with by the Valuation Office Agency and as such are outside the control of the Council.	If appeals are settled to different terms than those estimated, the effect will be reflected in the Collection Fund in future years.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based upon 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. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the councils appointed valuers).	The council uses the discounted cash flow (DCF) to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates - adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

### 4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2018/19:

- Income relating to the administration and payments of Benefits (including Discretionary Housing Payments) was received from Central Government totalling £24,590,149 (2017/18 £26,292,197) with corresponding payments of benefits totalling £25,470,343 (2017/18 £27,077,656). Housing Benefit Overpayment Income of £1,172,730 was received in 2018/19, (2017/18 £1,028,707).
- Council tax income of £7,553,349 (2017/18 £7,248,727) was credited to the Comprehensive Income and Expenditure Statement.
- Retained Business Rates £5,633,816 (2017/18 £5,589,572).
- Net upward revaluations of Property Plant and Equipment of £0.188million (2017/18 £1.227million downward revaluation).
- Net downward revaluations of Investment Property of £2.400million (2017/18 £6.561million downward revaluation).
- Rental income from investment property of £4.474million (2017/18 £4.470million).

### 4.4 Prior Period Adjustments

#### 4.4.1 IFRS9 – Financial Instruments

##### ***Reclassification of Financial Assets at 1 April 2018***

The following table shows how financial assets have been reclassified following the adoption of IFRS9 Financial Instruments by the Code of Practice on Local Authority Accounting.



Previous Classifications	Carrying amount brought forward at 1 April £000	New Classifications at 1 April 2018	
		Amortised Cost £000	Fair Value through Profit & Loss £000
Loans & Receivables	13,560	13,560	0
Available for Sale	3,383	0	3,383
<b>Reclassified amounts at 1 April 2018</b>		<b>13,560</b>	<b>3,383</b>

#### ***Effect of reclassifications on the Balance Sheet***

The reclassifications do not alter the categories in which the financial assets are held on the balance sheet from 31 March 2018 to 1 April 2018.

The change in category of long-term investments from available for sale to fair value through profit and loss relates to the investment in the CCLA property fund. This investment is classed as a pooled investment fund and as such, regulation 30K of Statutory Instrument 2018/1207 allows for any fair value gains and losses that would normally be charged to the General Fund to be reversed through the Movement in Reserves Statement to the Pooled Investment Fund Adjustment Account on the balance sheet.

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- The long-term investment with a carrying amount of £3.383million was reclassified from available for sale to fair value through profit and loss as there are no contractual payments comprising principal and interest.

The assets previously classified as Available for Sale now fall into the category of Fair Value through Profit or Loss.

#### ***Effect of reclassifications on the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement***

The reclassifications mean that any gain or loss on financial assets held at Fair Value through Profit or Loss will now be shown in Cost of Services in the CIES. The assets held by the Council falling into this category were previously categorised as Available for Sale and gains and losses were shown in Other Comprehensive Income & expenditure in the CIES.

In order that these gains or losses do not affect the Council's General Fund reserves, these gains or losses are now provided with a Statutory override (regulation 30K of Statutory Instrument 2018/1207) that allows gains or losses to be held on the balance sheet in a separate earmarked reserve – The Pooled Investments Fund Adjustment Account.

#### **4.4.2 Change in directorates**

During 2018/19 the Corporate Support and Resources Directorate was split into Corporate Support and Finance and Resources Directorates and there was also a change in management of an area between Economic Development and Governance and Regulatory Services. Therefore, the CIES and Expenditure and Funding Analysis have been restated for 2017/18 comparator figures to reflect this change.

The changes to the CIES are as follows:

	Expenditure £000	Income £000	Net £000
<b>As reported in 2017/18</b>			
Corporate Support & Resources	30,842	(29,132)	1,710
Economic Development	3,872	(2,637)	1,235
Governance & Regulatory Services	8,967	(4,303)	4,664
	<b>43,681</b>	<b>(36,072)</b>	<b>7,609</b>
<b>Restated for 2018/19</b>			
Corporate Support	3,457	(1,735)	1,722
Finance and Resources	27,385	(27,397)	(12)
Economic Development	3,907	(2,640)	1,267
Governance & Regulatory Services	8,932	(4,300)	4,632
	<b>43,681</b>	<b>(36,072)</b>	<b>7,609</b>

## **Movement in Reserves Statement**

### **4.5 Adjustments between accounting basis and funding basis under Regulations**

This note details the adjustments that are made to Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with the proper accounting practice to the resources that are specified by statutory provision as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

#### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might 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 that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### **Capital Receipts Reserve**

The Capital receipts Reserve holds the proceeds from the disposal of land or 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 year end.

#### **Capital Grant Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council 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.

	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Pooled Investments Adjustment	Short Term Compensated Absences	Total Authority Reserves
2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>												
<b>(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:)</b>												
Pension Costs	1,574	0	0	1,574	(1,574)	0	(1,574)	0	0	0	0	0
Financial Instruments	(53)	0	0	(53)	53	0	0	0	0	53	0	0
Council Tax and NDR	(470)	0	0	(470)	470	0	0	0	470	0	0	0
Holiday Pay	(23)	0	0	(23)	23	0	0	0	0	0	23	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:												
Depreciation	2,313	0	0	2,313	(2,313)	0	0	(2,313)	0	0	0	0
Impairment Losses charged to CIES	(188)	0	0	(188)	188	0	0	188	0	0	0	0
Capital Grants and Contributions Applied	(2,089)	0	0	(2,089)	2,089	0	0	2,089	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	2,853	0	0	2,853	(2,853)	0	0	(2,853)	0	0	0	0
Movement in Market Value of Investment Property	2,400	0	0	2,400	(2,400)	0	0	(2,400)	0	0	0	0
Non Current Assets Written off on disposal or sale	668	0	0	668	(668)	0	0	(668)	0	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>6,985</b>	<b>0</b>	<b>0</b>	<b>6,985</b>	<b>(6,985)</b>	<b>0</b>	<b>(1,574)</b>	<b>(5,957)</b>	<b>470</b>	<b>53</b>	<b>23</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(607)	607	0	0	0	0	0	0	0	0	0	0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(21)	0	0	(21)	21	0	0	21	0	0	0	0
Capital Expenditure Financed from Revenue Balances	(2,110)	0	0	(2,110)	2,110	0	0	2,110	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(2,738)</b>	<b>607</b>	<b>0</b>	<b>(2,131)</b>	<b>2,131</b>	<b>0</b>	<b>0</b>	<b>2,131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>												
Use of the Capital Receipts Reserve to finance capital expenditure	0	(607)	0	(607)	607	0	0	607	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(607)</b>	<b>0</b>	<b>(607)</b>	<b>607</b>	<b>0</b>	<b>0</b>	<b>607</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(261)</b>	<b>0</b>	<b>261</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments</b>	<b>4,247</b>	<b>0</b>	<b>0</b>	<b>4,247</b>	<b>(4,247)</b>	<b>(261)</b>	<b>(1,574)</b>	<b>(2,958)</b>	<b>470</b>	<b>53</b>	<b>23</b>	<b>0</b>

	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account	Short Term Compensated Absences	Total Authority Reserves
2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>											
<b>(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:)</b>											
Pension Costs	1,761	0	0	1,761	(1,761)	0	(1,761)	0	0	0	0
Council Tax and NDR	160	0	0	160	(160)	0	0	0	(160)	0	0
Holiday Pay	2	0	0	2	(2)	0	0	0	0	(2)	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:											
Depreciation	2,073	0	0	2,073	(2,073)	0	0	(2,073)	0	0	0
Impairment Losses charged to CIES	1,227	0	0	1,227	(1,227)	0	0	(1,227)	0	0	0
Capital Grants and Contributions Applied	(3,495)	0	0	(3,495)	3,495	0	0	3,495	0	0	0
Revenue Expenditure Funded from Capital Under Statute	1,737	0	0	1,737	(1,737)	0	0	(1,737)	0	0	0
Movement in Market Value of Investment Property	6,561	0	0	6,561	(6,561)	0	0	(6,561)	0	0	0
Non Current Assets Written off on disposal or sale	841	0	0	841	(841)	0	0	(841)	0	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>10,867</b>	<b>0</b>	<b>0</b>	<b>10,867</b>	<b>(10,867)</b>	<b>0</b>	<b>(1,761)</b>	<b>(8,944)</b>	<b>(160)</b>	<b>(2)</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>											
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(928)	928	0	0	0	0	0	0	0	0	0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(147)	0	0	(147)	147	0	0	147	0	0	0
Capital Expenditure Financed from Revenue Balances	(4,720)	0	0	(4,720)	4,720	0	0	4,720	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,795)</b>	<b>928</b>	<b>0</b>	<b>(4,867)</b>	<b>4,867</b>	<b>0</b>	<b>0</b>	<b>4,867</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>											
Use of the Capital Receipts Reserve to finance capital expenditure	0	(928)	0	(928)	928	0	0	928	0	0	0
Application of capital grants to finance capital expenditure	0	0	(35)	(35)	35	0	0	35	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(928)</b>	<b>(35)</b>	<b>(963)</b>	<b>963</b>	<b>0</b>	<b>0</b>	<b>963</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(515)</b>	<b>0</b>	<b>515</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments</b>	<b>5,072</b>	<b>0</b>	<b>(35)</b>	<b>5,037</b>	<b>(5,037)</b>	<b>(515)</b>	<b>(1,761)</b>	<b>(2,599)</b>	<b>(160)</b>	<b>(2)</b>	<b>0</b>

## 4.6 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 2018/19.

	Balance 1 April	Transfers Out	Transfers In	Balance 31 March	Transfers Out	Transfers In	Balance 31 March
	2017 £000	2017/18 £000	2017/18 £000	2018 £000	2018/19 £000	2018/19 £000	2019 £000
<b>Capital:</b>							
Lanes Capital Fund	30	0	15	45	0	15	60
GLL Reserve	522	(249)	0	273	0	0	273
Asset Investment Reserve	48	0	0	48	0	0	48
<b>Total Capital Reserves</b>	<b>600</b>	<b>(249)</b>	<b>15</b>	<b>366</b>	<b>0</b>	<b>15</b>	<b>381</b>
<b>Revenue</b>							
Transformation Reserve	150	0	0	150	0	0	150
Welfare Reform Reserve	200	0	0	200	0	0	200
Building Control Reserve	187	(37)	0	150	(65)	0	85
Cremator Replacement Reserve	756	0	94	850	0	114	964
Car Park Enhancement Reserve	107	0	0	107	(107)	0	0
Economic Investment Reserve	6	0	0	6	0	0	6
City Centre Reserve	42	0	0	42	(33)	0	9
Repairs and Renewals Reserve	214	(214)	0	0	0	0	0
Leisure Reserve	80	(80)	0	0	0	0	0
Flooding Earmarked Reserve	500	0	1,514	2,014	0	0	2,014
Revenues & Benefits Reserve	338	0	0	338	0	0	338
BRR Volatility Reserve	110	(110)	0	0	0	0	0
Prosecutions and Representations	21	0	20	41	(15)	10	36
Promoting Carlisle Reserve	30	(10)	0	20	(10)	0	10
Revenue Grants Reserve	865	(193)	1,248	1,920	(1,008)	231	1,143
Planning Services Reserve	0	0	28	28	0	122	150
Apprentice Reserve	0	0	0	0	0	54	54
<b>Total Revenue Reserves</b>	<b>3,606</b>	<b>(644)</b>	<b>2,904</b>	<b>5,866</b>	<b>(1,238)</b>	<b>531</b>	<b>5,159</b>
<b>Total Earmarked Reserves</b>	<b>4,206</b>	<b>(893)</b>	<b>2,919</b>	<b>6,232</b>	<b>(1,238)</b>	<b>546</b>	<b>5,540</b>
<b>General Reserves</b>							
General Fund Balance	3,089	(2,690)	4,374	4,773	(655)	0	4,118
Carry Forward Reserve	1,105	(178)	0	927	(415)	0	512
<b>Total General Fund Balances</b>	<b>8,400</b>	<b>(3,761)</b>	<b>7,293</b>	<b>11,932</b>	<b>(2,308)</b>	<b>546</b>	<b>10,170</b>
<b>Deferred Credits</b>	20	0	0	20	0	0	20
<b>Capital Grant Unapplied</b>	171	(35)	0	136	0	0	136
<b>Total Usable Reserves</b>	<b>8,591</b>	<b>(3,796)</b>	<b>7,293</b>	<b>12,088</b>	<b>(2,308)</b>	<b>546</b>	<b>10,326</b>

## 4.7 Nature and Purpose of Usable Reserves

The Council is required to maintain a number of reserves under the provisions of the Code. The reserves and their broad functions are as follows.

**(a) Earmarked Reserves**

This balance represents monies available to support revenue spending but which the Council have earmarked for specific purposes. Further details on individual earmarked reserves are contained within the Council's Medium-Term Financial Plan, available upon request from the Corporate Director of Finance and Resources.

**(b) 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.

**(c) General Fund Balances**

This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.

**(d) Capital Grants Unapplied**

This represents capital grants that have been received and recognised in the Comprehensive Income and Expenditure Statement, but which have yet to be applied to finance capital expenditure.

**(e) Usable Capital Receipts Reserve**

Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

An explanation of Unusable Reserves is detailed in Note 4.39.

## **Comprehensive Income and Expenditure**

### **4.8 Other Operating Expenditure**

2017/18 £000		Note	2018/19 £000
583	Parish Council Precepts		613
(355)	(Gains)/Losses on disposal of non-current assets	4.24	165
<b>228</b>	<b>Total</b>		<b>778</b>

### **4.9 Financing and Investment Income and Expenditure**

2017/18 £000		Note	2018/19 £000
1,305	Interest payable and similar charges		1,306
962	Net Interest on the defined benefit liability (pension assets)	4.42	860
(224)	Interest receivable and similar income		(321)
2,778	Income and Expenditure in relation to investment properties and changes in their fair value	4.11	(1,569)
195	(Surplus)/Deficit on Trading Undertakings		521
0	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss	4.39f	(53)
<b>5,016</b>	<b>Total</b>		<b>744</b>

### **4.10 Taxation and Non-Specific Grant Income**

2017/18 £000		Note	2018/19 £000
(7,249)	Council Tax Income	4.14	(7,553)
(5,590)	Non-Domestic Rates	4.14	(5,634)
(3,044)	Non-Ring-fenced Government Grants	4.21	(2,239)
(1,793)	Recognised Capital Grants & Contributions	4.21	(169)
<b>(17,676)</b>	<b>Total</b>		<b>(15,595)</b>

## 4.11 Investment Properties

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

2017/18 £000		2018/19 £000
(4,470)	Rental Income from investment property	(4,474)
456	Direct operating expenses arising from investment property that generated rental income during the period	625
6,561	(Increase) / Decrease in Fair Value of Investment Properties	2,400
231	(Gains)/Losses on Disposal of Investment Properties	(120)
<b>2,778</b>	<b>Net (Gain)/Loss</b>	<b>(1,569)</b>

## 4.12 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.



2017/18 (Restated)				2018/19		
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
9,038	982	10,020	Community Services	9,626	31	9,657
828	439	1,267	Economic Development	1,786	947	2,733
1,685	37	1,722	Corporate Support	1,376	299	1,675
1,141	(1,153)	(12)	Finance and Resources	839	(963)	(124)
(778)	5,410	4,632	Governance & Regulatory Services	849	4,587	5,436
1,877	(1,527)	350	Corporate Management	(197)	902	705
(4,007)	0	(4,007)	Exceptional Item - Flood	0	0	0
<b>9,784</b>	<b>4,188</b>	<b>13,972</b>	<b>Net Cost of Services</b>	<b>14,279</b>	<b>5,803</b>	<b>20,082</b>
		(12,432)	<b>Other Income &amp; Expenditure</b>			(14,073)
<b>9,784</b>	<b>4,188</b>	<b>1,540</b>	<b>Surplus or Deficit</b>	<b>14,279</b>	<b>5,803</b>	<b>6,009</b>
<b>8,400</b>			<b>Opening General Fund Balance</b>	<b>11,932</b>		
<b>(1,540)</b>			<b>Less/Plus Surplus or (Deficit) on General Fund</b>	<b>(6,009)</b>		
<b>5,072</b>			<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>4,247</b>		
<b>11,932</b>			<b>Closing General Fund Balance at 31 March</b>	<b>10,170</b>		

## 4.13 Adjustments between Funding and Accounting Basis

2018/19				
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	Other Differences (Note c) £000	Total Adjustments £000
Community Services	(298)	622	(293)	31
Economic Development	0	196	751	947
Corporate Support	0	345	(46)	299
Finance and Resources	0	154	(1,117)	(963)
Governance & Regulatory Services	110	465	4,012	4,587
Corporate Management	2,313	(1,068)	(343)	902
<b>Net Cost of Services</b>	<b>2,125</b>	<b>714</b>	<b>2,964</b>	<b>5,803</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>2,125</b>	<b>714</b>	<b>2,964</b>	<b>5,803</b>

2017/18 (Restated)				
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	Other Differences (Note c) £000	Total Adjustments £000
Community Services	27	696	259	982
Economic Development	0	215	224	439
Corporate Support	0	385	(348)	37
Finance and Resources	0	169	(1,322)	(1,153)
Governance & Regulatory Services	1,200	460	3,750	5,410
Corporate Management	2,072	(1,126)	(2,473)	(1,527)
<b>Net Cost of Services</b>	<b>3,299</b>	<b>799</b>	<b>90</b>	<b>4,188</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>3,299</b>	<b>799</b>	<b>90</b>	<b>4,188</b>

**(a) Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxations and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**(b) Net Change for the Pension Adjustments**

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For Services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**(c) Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in the future Surpluses or Deficits on the Collection Fund.

## 4.14 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2017/18 (restated) £000		Note	2018/19 £000
	<b>Expenditure</b>		
16,898	Employee Benefit expenses		17,782
44,629	Other Service expenses		41,065
3,300	Depreciation, amortisation and impairment		2,125
1,305	Interest payments		1,306
583	Precepts and levies		613
879	Gains on the disposal of assets		683
6,561	Change in Fair Value of Investment Property		2,400
<b>74,155</b>	<b>Total Expenditure</b>		<b>65,974</b>
	<b>Income</b>		
(11,463)	Revenue from contracts with service recipients	4.15	(11,229)
(4,859)	Fee, charge and other service income		(201)
(224)	Interest and Investment Income		(322)
(12,839)	Income from Council Tax, Non-Domestic Rates	4.10	(13,187)
(42,265)	Grants, Contributions and Reimbursements	4.21	(34,350)
(965)	Gain or Loss in Disposal of Non-Current Assets & Investment Property		(623)
0	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss		(53)
<b>(72,615)</b>	<b>Total Income</b>		<b>(59,965)</b>
<b>1,540</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>6,009</b>

Note: the 2017/18 figures have been restated to split out revenue from contract with service recipients as per note 4.15 below and a restatement to Income from Council Tax, Non-Domestic Rates and Government Grants and Contributions.

## 4.15 Revenue from Contracts with Customers

The Council collects income from various sources, e.g. raising debtor invoices or collecting income through the bank. Some income is received in advance of services being delivered, and some is received after the service has been delivered.

The majority of Council income is collected upon delivery of the service, e.g. car parking income, so income is recognised as soon as the performance obligation is performed. There are some services, however, where income is collected in advance of a service being delivered; the main areas being Development Control (Planning Fees) and Building Control Fees.

### Development Control Fees

Development Control fees are paid upfront at the time the application is submitted and depending on the type or complexity of the application submitted in association with the fees, the work could be carried out over a period of up to potentially 6 months or even longer. Once a 'valid' application has been received, this is when the performance obligation is satisfied as the City Council has agreed to consider and make a decision on the planning application submitted.

As at 31st March 2019, there were 14 applications which were invalid for which a total of £3,272 had been paid upfront for. As this is immaterial, it is proposed that no adjustments are made to the income as at 31st March 2019.

### **Building Control Fees**

For a Building Control application to be valid, a fee must be paid. No work will be carried out unless the required fee is paid.

As at 31<sup>st</sup> March 2019, there were no invalid applications that have a financial value attributable to them. Overall, 970 applications were commenced in 2018/19, with 142 outstanding by the year end. The approximate value of these outstanding applications was £59,000. Therefore, no adjustments have been made to the income as at 31<sup>st</sup> March 2019.

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2017/18 £000		2018/19 £000
	Revenue from contracts with service recipients	
(444)	Building Control	(396)
(889)	Development Control	(811)
(1,642)	Bereavement Services	(1,568)
(1,590)	Car Parking	(1,584)
(265)	Licensing	(264)
(4,632)	Rental Income from Properties	(4,572)
(2,001)	Other revenue from contracts with service recipients	(2,034)
<b>(11,463)</b>	<b>Total included in Comprehensive Income &amp; Expenditure Statement</b>	<b>(11,229)</b>
19	Impairment of receivables or contract assets	19

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

2017/18 £000		2018/19 £000
	Receivables, which are included in debtors	
19	Building Control	13
154	Bereavement Services	123
23	Car Parking	16
479	Rental Income from Properties	280
65	Other revenue from contracts with service recipients	132
<b>740</b>	<b>Total included in Net Assets</b>	<b>564</b>

## **4.16 Agency Income and Expenditure**

In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Councils share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement (£7.553million) (2017/18 - £7.249million).

The Council also acts as an agent in collecting Non-Domestic Rates (NDR) on behalf of the Government and County Council under the Business Rate Retention Scheme. Only the

income received due to the City Council share (£5.634million); 2017/18 (£5.590million) is recognised in the Comprehensive Income and Expenditure Statement.

The Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and NNDR. The Collection Fund is included as a supplementary statement in these accounts.

## 4.17 Cumbria Business Rates Pool

During 2018/19, the Council participated in the Cumbria Business Rates Pool in order to benefit the Cumbria area by retaining any levies that would otherwise be payable to Central Government as a result of growth in Business Rates. The pool is made up of Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Barrow Borough Council, Copeland Borough Council, Eden District Council and South Lakeland District Council.

The amount of retained growth kept by the Pool and redistributed is as follows:

2017/18 £000		2018/19 £000
	<b>Retained Levy</b>	
929	Allerdale Borough Council	981
364	Barrow Borough Council	680
1,243	Carlisle City Council	1,031
0	Copeland Borough Council	1,249
441	Eden District Council	660
1,255	South Lakeland District Council	1,646
<b>4,232</b>	<b>Total Retained Levy</b>	<b>6,247</b>
	<b>Pooling Distribution of Retained Levy</b>	
429	Allerdale Borough Council	477
196	Barrow Borough Council	345
548	Carlisle City Council	489
0	Copeland Borough Council	557
203	Eden District Council	303
535	South Lakeland District Council	708
1,481	Cumbria County Council	2,125
840	Volatility Reserve	1,243
<b>4,232</b>	<b>Total</b>	<b>6,247</b>

The distribution of the retained levy for the Council is shown within Business Rate Retention income in the Comprehensive Income and Expenditure Statement, along with the Council's own share of the growth achieved in the year (£1,031,049).

## 4.18 Members Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2018/19 are as follows:

2017/18 £000		2018/19 £000
253	Type of Allowance	253
89	Basic Allowance	85
9	Special Responsibility Allowance	12
	Conference/Other Allowances	
<b>351</b>	<b>Total</b>	<b>350</b>

#### 4.19 Officers' Remuneration

The Accounts and Audit Regulations 2015 require that local authorities disclose details of the number of employees whose remuneration exceeds £50,000 in bands of £5,000. The table below includes senior employees who are also subject to additional disclosure below.

**Remuneration includes any payments made on termination of employment, but does not include pension contributions.**

The Accounts and Audit Regulations 2015 also now requires that local authorities disclose the individual remuneration details of senior employees by job title for a number of categories if their annual salary is above £50,000. For the purpose of disclosure, senior employees are defined by the Council as Director level and above.

Remuneration Banding (incl Termination Payments)	Number of Employees					
	2018/19	Given Notice During Year	Left During Year	2017/18	Given Notice During Year	Left During Year
Between £50,000 and £54,999	2	0	0	4	0	0
Between £55,000 and £59,999	3	0	0	0	0	0
Between £60,000 and £64,999	0	0	0	1	0	0
Between £65,000 and £69,999	1	1	1	1	1	1
Between £70,000 and £74,999	1	0	0	0	0	0
Between £75,000 and £79,999	2	0	0	2	0	0
Between £90,000 and £94,999	1	1	0	1	0	0
Between £95,000 and £99,999	1	0	0	0	0	0
Between £120,000 and £124,999	1	0	0	1	0	0
<b>Total Number of Employees (Including Senior Employees)</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>1</b>	<b>1</b>

Post	Note	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2018/19		£000	£000	£000	£000	£000
Chief Executive	1	109	15	124	17	141
Deputy Chief Executive		87	8	95	14	109
Corporate Director of Governance & Regulatory Services		71	6	77	11	88
Corporate Director of Economic Development		71	6	77	11	88
Corporate Director of Finance and Resources		67	6	73	11	84
<b>Total</b>		<b>405</b>	<b>41</b>	<b>446</b>	<b>64</b>	<b>510</b>

Note 1: The post of Chief Finance Officer was renamed Corporate Director of Finance and Resources during the year

Post	Note	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2017/18		£000	£000	£000	£000	£000
Chief Executive		107	14	121	17	138
Deputy Chief Executive		85	8	93	13	106
Corporate Director of Governance & Regulatory Services		69	7	76	11	87
Corporate Director of Economic Development		69	6	75	11	86
Chief Finance Officer		60	0	60	9	69
<b>Total</b>		<b>390</b>	<b>35</b>	<b>425</b>	<b>61</b>	<b>486</b>

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:



	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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	2	0	4	0	6	0	77
£20,001 - £40,000	0	3	1	2	1	5	35	152
£40,001 - £60,000	0	1	0	0	0	1	0	49
£180,001 - £200,000	0	0	0	1	0	1	0	187
<b>Total</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>13</b>	<b>35</b>	<b>465</b>

## 4.20 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, the certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

2017/18 £000		2018/19 £000
53	Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor	41
17	Fees payable to the external auditor for the certification of grant claims and returns	13
6	Fees payable to the external auditor for the certification of grant claims and returns for previous years	3
<b>76</b>	<b>Total</b>	<b>57</b>

For 2018/19 the external auditor for the certification of the Housing Benefit Subsidy Claim will change from Grant Thornton UK LLP to Mazars following a procurement exercise.

## 4.21 Grants, Contributions and Reimbursement Income

The Council credited the following grants, contributions and reimbursements to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18 £000		2018/19 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<b>Non Ringfenced Government Grants</b>	
886	Revenue Support Grant	449
2,012	New Homes Bonus	1,606
146	Rural Services Delivery Grant	184
<b>3,044</b>	<b>Total</b>	<b>2,239</b>
	<b>Recognised Capital Grants &amp; Contributions</b>	
180	Industrial Estates Grant & Contributions	0
67	Play Areas & Open Spaces Contribution	19
25	Public Realm (S106 & Other)	0
29	Cycleway (S106 & Other)	0
518	Disabled Facilities Grant	0
771	Cycle Track	0
140	Crindledyke Cycleway (S106)	139
63	Cracker Packer	0
0	Vehicles & Equipment contributions	11
<b>1,793</b>	<b>Total</b>	<b>169</b>
	<b>Grants - Credited to Services</b>	
594	Economic Regeneration	34
703	Supporting Vulnerable People	104
26,292	Housing Benefit Subsidy	24,590
724	Revenues and Benefits	622
2,904	Flood Related	7
791	Other Grants	981
	<b>Reimbursements - Credited to Services</b>	
0	Economic Regeneration	11
10	Supporting Vulnerable People	4
1,270	Revenues and Benefits	1,408
4	Flood Related	0
883	Other Reimbursements	646
	<b>Contributions - Credited to Services</b>	
2	Economic Regeneration	0
1	Supporting Vulnerable People	32
176	Revenues and Benefits	179
18	Flood Related	0
1,353	Other Contributions	1,404
<b>1,703</b>	<b>Revenue Expenditure funded by Capital</b>	<b>1,920</b>
<b>37,428</b>	<b>Total</b>	<b>31,942</b>
<b>42,265</b>	<b>Total Grants, Contributions and Reimbursements</b>	<b>34,350</b>

Note: the 2017/18 figures have been restated to show a breakdown as per Note 4.14.

## 4.22 Related Parties

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

### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.14 on reporting for resource allocation decisions. Grant receipts receivable at 31 March 2019 are shown in Note 4.21. As at 31 March 2019, the balance of Creditors owing to Central Government departments was £3.120million. The balance of debtors owed from Central Government departments was £0.448million.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2018/19 is shown in Note 4.18. All elected members of the Council were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2018/19.

Twenty-Five declared an interest in Community Centres around the Carlisle area. The Council paid £192,580 to Community Centres during 2018/19 (2017/18 - £207,256).

2017/18 £000		2018/19 £000
11	Belah Community Centre	11
17	Botcherby Community Centre	13
24	Brampton Community Centre	22
22	Currock Community Centre	21
14	Denton Holme Community Centre	14
9	Greystone Community Centre	9
26	Harraby Community Centre	27
31	Longtown Community Centre	27
33	Morton Community Centre	29
12	Petteril Bank Community Centre	12
8	Yewdale Community Centre	7
<b>207</b>	<b>Grants paid to Community Centres</b>	<b>192</b>

### Officers

During 2018/19 17 officers who are considered to be key management personnel were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2018/19. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2018/19.

### Other Public Bodies

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.23 to the Financial Statements. The Council owed £54,833 to the Pension fund at 31 March for transactions in 2018/19, and this is shown as a creditor in the balance sheet.

## 4.23 Pension Costs

In 2018/19, the City Council paid an employer's contribution of £1,620,245 into the Cumbria County Council Pension Scheme, representing 15.6% plus £935,000 deficit funding (2017/18: £1,509,354 representing 15.6% and £915,000 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2017 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2017. The Council is also responsible for all pension payments relating to unfunded added years benefits awarded to its employees together with any related increases. In 2018/19 the value of these benefits amounted to £162,000 representing 1.55% of pensionable pay (2017/18 £85,000 and 0.8% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2017/18 £000		2018/19 £000
3,376	Current Service Cost	3,341
59	Administration Expenses	62
0	Past Service Cost / (Gain)	3
118	Curtailment Cost	232
(3,629)	Interest on Plan Assets	(3,805)
4,591	Pension Interest Costs	4,665
<b>4,515</b>	<b>Total</b>	<b>4,498</b>
(2,754)	Contributions paid to Pension Scheme	(2,924)
<b>1,761</b>	<b>Contributions (to) / from Pension Reserve</b>	<b>1,574</b>

The reassessment of the pension liability for the effects of the McCloud judgement show that the past service cost shown above would increase by £1.020million. Further detail can be found at note 4.42.

## 4.24 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 2018/19 is as follows: -

2017/18 £000		2018/19 £000
(292)	Preserved Right To Buy Sales	(3)
(63)	Other	168
<b>(355)</b>	<b>Total</b>	<b>165</b>

## 4.25 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 2018/19 is as follows: -

2017/18				2018/19		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
1,207	(1,207)	0	Disabled Facilities Grants	2,134	(1,811)	(323)
332	(327)	(5)	Castleway Crossing	0	0	0
198	(198)	0	Other	719	(109)	(610)
<b>1,737</b>	<b>(1,732)</b>	<b>(5)</b>	<b>Total</b>	<b>2,853</b>	<b>(1,920)</b>	<b>(933)</b>

## 4.26 Revaluations Charged to CIES

During 2018/19 the value of Non-Current Assets that were revalued and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £2.212million (2017/18: £7.788million). This was split between investment properties £2.400million (downward revaluation) (2017/18: £6.561million (downward revaluation) and other items of Property, Plant and Equipment and surplus assets £0.188m (upward revaluation) (2017/18: £1.227m (downward revaluation). Change in fair value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.9. Movements in other Property, Plant and Equipment are shown in the Comprehensive Income and Expenditure Account within Net cost of Services. The table below shows the service line that all revaluations were originally charged to.

2017/18 £000		2018/19 £000
27	Community Services	(298)
1,200	Governance and Regulatory Services	110
<b>1,227</b>	<b>Total Included in Net Cost of Services</b>	<b>(188)</b>

**Balance Sheet****4.27 Property Plant and Equipment**

2018/19	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2018	200	29,601	16,207	5,870	4,021	25	1,153	57,077
Additions/Enhancements	0	457	789	249	30	1,479	0	3,004
Disposals	0	(20)	(663)	0	0	(34)	(180)	(897)
Reclassifications	0	(5)	0	0	25	0	(20)	0
Revaluations Taken to Revaluation Reserve	0	628	0	0	0	0	10	638
Revaluations Charged to Surplus/Deficit on Provision of Services 2018/19	0	4	0	0	0	0	(79)	(75)
Valuation as at 31 March 2019	200	30,665	16,333	6,119	4,076	1,470	884	59,747
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2018	(2)	(15)	(9,530)	(788)	0	0	0	(10,335)
Depreciation Charge to CIES 2018/19	(4)	(932)	(1,241)	(108)	0	0	0	(2,285)
Depreciation on Disposals	0	1	662	0	0	0	0	663
Depreciation w/out to Revaluation Reserve	7	682	0	0	0	0	0	689
Depreciation w/out to Surplus/Deficit on Provision of Services	0	264	0	0	0	0	0	264
Accumulated Dep'n at 31 March 2019	1	0	(10,109)	(896)	0	0	0	(11,004)
<b>Net Book Value at 31 March 2019</b>	<b>201</b>	<b>30,665</b>	<b>6,224</b>	<b>5,223</b>	<b>4,076</b>	<b>1,470</b>	<b>884</b>	<b>48,743</b>
<b>Net Book Value at 31 March 2018</b>	<b>198</b>	<b>29,586</b>	<b>6,677</b>	<b>5,082</b>	<b>4,021</b>	<b>25</b>	<b>1,153</b>	<b>46,742</b>
<b>Nature of Asset holding</b>								
Owned	201	30,665	6,224	5,223	4,076	1,470	884	48,743
	<b>201</b>	<b>30,665</b>	<b>6,224</b>	<b>5,223</b>	<b>4,076</b>	<b>1,470</b>	<b>884</b>	<b>48,743</b>
<b>Historic Cost Valuation</b>								
Net Book Value 31 March 2019	143	21,462	6,224	5,223	4,076	1,470	856	39,454
Net Book Value 31 March 2018	148	21,434	6,677	5,082	4,021	25	1,135	38,522

Note: Accumulated depreciation brought forward as at 1 April 2018 for Land and Buildings has had to been amended due to rounding anomalies.

Note: The figure shown for accumulated impairment as at 31 March 2018 was incorrectly stated and should have been shown as accumulated depreciation from 1 April 2018. This is reflected in the 2018/19 table above.

2017/18	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2017	200	30,114	15,098	4,414	3,971	12	1,578	55,387
Additions/Enhancements	0	3,005	2,078	1,456	50	13	277	6,879
Disposals	0	(316)	(969)	0	0	0	(10)	(1,295)
Reclassifications	0	(932)	0	0	0	0	(175)	(1,107)
Revaluations Taken to Revaluation Reserve	0	(931)	0	0	0	0	(384)	(1,315)
Revaluations Charged to Surplus/Deficit on Provision of Services 2017/18	0	(1,336)	0	0	0	0	(133)	(1,469)
Valuation as at 31 March 2018	200	29,604	16,207	5,870	4,021	25	1,153	57,080
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2017	0	(13)	(9,212)	(716)	0	0	0	(9,941)
Depreciation Charge to CIES 2017/18	(5)	(941)	(1,030)	(72)	0	0	0	(2,048)
Depreciation on Disposals	0	17	848	0	0	0	0	865
Depreciation w/out to Revaluation Reserve	3	644	0	0	0	0	0	647
Depreciation w/out to Surplus/Deficit on Provision of Services	0	275	0	0	0	0	0	275
Accumulated Dep'n at 31 March 2018	(2)	(18)	(9,394)	(788)	0	0	0	(10,202)
<b>Impairments</b>								
Accumulated Impairment 1 April 2017	0	0	(136)	0	0	0	0	(136)
Accumulated Impairments at 31 March 2018	0	0	(136)	0	0	0	0	(136)
<b>Net Book Value at 31 March 2018</b>	<b>198</b>	<b>29,586</b>	<b>6,677</b>	<b>5,082</b>	<b>4,021</b>	<b>25</b>	<b>1,153</b>	<b>46,742</b>
<b>Net Book Value at 31 March 2017</b>	<b>200</b>	<b>30,101</b>	<b>5,750</b>	<b>3,698</b>	<b>3,971</b>	<b>12</b>	<b>1,578</b>	<b>45,310</b>
<b>Nature of Asset holding</b>								
Owned	198	29,586	6,677	5,082	4,021	25	1,153	46,742
	<b>198</b>	<b>29,586</b>	<b>6,677</b>	<b>5,082</b>	<b>4,021</b>	<b>25</b>	<b>1,153</b>	<b>46,742</b>
<b>Historic Cost Valuation</b>								
Net Book Value 31 March 2018	148	21,434	6,677	5,082	4,021	25	1,135	38,522
Net Book Value 31 March 2017	153	21,143	5,750	3,698	3,971	12	1,176	35,903

**(a) Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Asset Category	Rate	Basis
Dwellings & Other Buildings	5 – 50 Years	Straight Line
Infrastructure Assets	40 – 80 Years	Straight Line
Vehicles, Plant, Furniture & Equipment	3 – 20 Years	Straight Line
Intangible Assets	3 – 5 Years	Straight Line

**(b) Capital Commitments**

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years; budgeted to cost £895,000. Similar commitments at 31 March 2018 were £515,000. The major commitments are:

2017/18 £000		2018/19 £000
321	Improvement Grant Commitments	408
164	Car Park Resurfacing	0
0	Vehicle Replacements	487
24	Cycle Track	0
6	Other Capital Commitments	0
<b>515</b>		<b>895</b>

**(c) Effects of Changes in Estimates**

In 2018/19, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

**4.28 Bases of Valuation**

From 1 April 1994 all of the City Council's property, plant and equipment have 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 Note 4.0 (Statement of Accounting Policies).

Valuations are carried out via an annual revaluation programme. Valuations for 2018/19 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS as at 31 March 2019. Community Assets, Vehicles, Plant and Equipment and Infrastructure assets are all held at Historic Cost and are not subject to revaluations.

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

31 March 2018		31 March 2019
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 Units	75
12	Community Centres	12
7	Industrial Estates	7



## 4.29 Investment Properties

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

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

The fair value of Investment property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2018/19 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS. 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.

2017/18 £000		2018/19 £000
92,783	Opening Balance at 1 April of Investment Property	87,484
948	Additions to existing assets	6
(411)	Disposals	(52)
725	Reclassifications	0
(6,561)	Net gains or losses from fair value adjustments	(2,400)
<b>87,484</b>	<b>Closing Balance at 31 March of Investment Property</b>	<b>85,038</b>

### 4.29a Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

2018/19 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 2019 £000
Development Land	0	418	13,023	13,441
Retail	0	29,940	3,815	33,755
Industrial Sites	0	3,240	32,169	35,409
Residential	0	538	310	848
Education	0	0	275	275
Office Units	0	0	1,110	1,110
Airport	0	0	200	200
<b>Total</b>	<b>0</b>	<b>34,136</b>	<b>50,902</b>	<b>85,038</b>

2017/18 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 2018 £000
Development Land	0	459	13,323	13,782
Retail	0	31,435	4,240	35,675
Industrial Sites	0	3,180	32,224	35,404
Residential	0	93	400	493
Education	0	445	325	770
Office Units	0	0	1,160	1,160
Airport	0	0	200	200
<b>Total</b>	<b>0</b>	<b>35,612</b>	<b>51,872</b>	<b>87,484</b>

**4.29b Transfers between Levels of the Fair Value hierarchy**

There were no transfers between Levels 1 and 2 during the year and one transfer between Levels 3 and 2.

**4.29c Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties****Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

**Significant Unobservable Inputs – Level 3**

The industrial sites located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

**4.29d 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.

**4.29e Valuation Techniques**

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

**4.29f Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)**

2017/18 £000	Assets categorised within Level 3	2018/19 £000
51,998	Opening Balance	51,872
725	Transfers into Level 3	0
0	Transfers out of Level 3	(60)
(1,440)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(931)
637	Additions/enhancements	21
(48)	Disposals	0
<b>51,872</b>	<b>Closing Balance</b>	<b>50,902</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

**4.29g Quantitative information about Fair Value Measurement in Investment Properties using significant Unobservable Inputs – Level 3**

The table below shows where the income method has been used to measure Fair Value:

	Value as at 31/03/19 £000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Retail	3,815	Investment - Term & Reversion	All Risks Yield (ARY)	4% - 12.0% (4.25% - 11.0%)	Significant changes in ARY as a result of vacancy rates will result in significantly higher or lower fair values
Industrial Sites	32,169	Investment - Term & Reversion	All Risks Yield (ARY)	5.0% - 8.0% (6.0% - 8.0%)	Significant changes in ARY adopted for individual units will result in significantly higher or lower fair value
Education	275	Investment - Term & Reversion	All Risks Yield (ARY)	10.0% - 12.0% (12.0%)	Significant changes in ARY will result in a significantly higher or lower fair value
Office	1,110	Investment - Term & Reversion	All Risks Yield (ARY)	10.0% - 12.0% (12.0%)	Significant changes in ARY will result in a significantly higher or lower fair value

Other investment properties categorised as Level 3 that have been measured using market conditions are explained below:

	Value as at 31/03/19 £000	Valuation technique used to measure fair value	Valuers comments and sensitivity
Development Land	13,023	Market	The Fair Value measurement of assets of this type is affected significantly by locational factors and lack of direct market comparable evidence. Further unknown factors such as planning and ground conditions and subsequent remediation works can have a significant impact on Fair Value measurement, and could result in a significantly higher or lower fair value.
Airport	200	Market	The Fair Value measurement of this asset is affected significantly by investor perception of windfall income for this asset.
Residential	310	Market	The Fair Value measurement of these assets has been significantly affected by the 2015 floods and lack of direct market evidence.

#### **4.29h Valuation process for Investment properties**

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out by a combination of internal and external valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

### **4.30 Surplus Properties**

The fair value of Surplus property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2018/19 were carried out by R Richardson (Building and Estates Manager) RICS and C Smith (Carigiet Cowen) BSc MRICS. 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.

#### **4.30a Fair Value Hierarchy**

Details of the Council's Surplus properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

2018/19 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 2019 £000
Development Land	0	200	240	440
Retail	0	0	348	348
Residential	0	0	96	96
<b>Total</b>	<b>0</b>	<b>200</b>	<b>684</b>	<b>884</b>

2017/18 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 2018 £000
Development Land	0	200	500	700
Retail	0	0	355	355
Residential	0	0	98	98
<b>Total</b>	<b>0</b>	<b>200</b>	<b>953</b>	<b>1,153</b>

#### **4.30b Transfers between Levels of the Fair Value hierarchy**

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

#### **4.30c 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.

#### **4.30d Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties**

##### **Significant Observable Inputs – Level 2**

The fair value for retail, (at market rents) has been based on the direct market evidence available at the time of valuation.

##### **Significant Unobservable Inputs – Level 3**

The council's development land has been valued using the market method of available market data with consideration given to the variables that will have an impact on the valuations.

#### 4.30e Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

2017/18 £000	Assets categorised within Level 3	2018/19 £000
1,378	Opening Balance	953
(175)	Transfers out of Level 3	(20)
277	Additions/Enhancements	0
(517)	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(69)
(10)	Disposals	(180)
<b>953</b>	<b>Closing Balance</b>	<b>684</b>

Gains or losses arising from changes in the fair value of the surplus property are recognised in either the Net Cost of Services in the Comprehensive Income and Expenditure Statement or the Revaluation Reserve on the Balance Sheet.

### 4.31 Heritage Assets

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

	Statues, Monuments & historic Landmarks £000	Pictures, Prints & Sculpture £000	China, Glass & Porcelain £000	Archaeology £000	Natural History £000	Other Museum Collection £000	Civic Regalia £000	Total £000
<b>Cost or Valuation</b>								
Valuation as at 1 April 2017	843	14,000	950	1,300	500	1,550	385	<b>19,528</b>
Additions	7	0	0	0	0	0	0	<b>7</b>
Revaluations	(33)	0	0	0	0	0	0	<b>(33)</b>
<b>Valuation as at 31 March 2018</b>	<b>817</b>	<b>14,000</b>	<b>950</b>	<b>1,300</b>	<b>500</b>	<b>1,550</b>	<b>385</b>	<b>19,502</b>
<b>Cost or Valuation</b>								
Valuation as at 1 April 2018	817	14,000	950	1,300	500	1,550	385	<b>19,502</b>
Additions	1	0	0	0	0	0	0	<b>1</b>
Revaluations for additions	(1)	0	0	0	0	0	0	<b>(1)</b>
<b>Valuation as at 31 March 2019</b>	<b>817</b>	<b>14,000</b>	<b>950</b>	<b>1,300</b>	<b>500</b>	<b>1,550</b>	<b>385</b>	<b>19,502</b>

#### 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 4,800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £600,000 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 4 items with an individual valuation of £250,000 each and a further 10 items valued over £100,000 each.

**c) China, Glass and Porcelain**

The Council's collection of china, glass and porcelain is reported in the Balance sheet at insurance valuation. The schedule covers some 800 items. The insurance cover is renewed annually and valuations are adjusted to reflect market indices or any known changes to values. There are no significant individual items, the largest single valuation being £15,000 for a figurine.

**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 valuations are 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 valuations are 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, silver, coins and medals, fire-arms, 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 valuations are 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 £500,000.

**g) Civic Regalia**

The Council's Civic Regalia is reported in the Balance sheet at insurance valuation. The insurance cover is renewed annually and valuations are 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, 1<sup>st</sup> floor Civic Centre

## 4.32 Heritage Assets: Further information on the 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 20<sup>th</sup> century British art including works of national importance. Key artists represented include: Stanley Spencer, William Rothenstein, Wyndham Lewis, Esmond Lowinsky, 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 19<sup>th</sup> and 20<sup>th</sup> 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 19<sup>th</sup> and 20<sup>th</sup> 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 18<sup>th</sup> and 19<sup>th</sup> century English porcelain, all major factories represented. The bequest also includes a 17<sup>th</sup> 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 a number of 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 16<sup>th</sup> to 20<sup>th</sup> centuries, Carlisle made watches, long case clocks and firearms, State Management branded pub material, traditional Cumbrian sports trophies and accessories, ephemera relating to 20<sup>th</sup> 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 includes 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 Financial Instruments

### (a) Categories of Financial Instruments

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

#### Financial Assets

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000	31-Mar 2019 £000
<b>2018/19</b>					
Fair Value through Profit & Loss	3,436	0	0	0	<b>3,436</b>
Amortised Cost	0	139	16,147	2,177	<b>18,463</b>
<b>Total Financial Assets</b>	<b>3,436</b>	<b>139</b>	<b>16,147</b>	<b>2,177</b>	<b>21,899</b>
Non-Financial Assets	0	0	0	768	<b>768</b>
<b>Total</b>	<b>3,436</b>	<b>139</b>	<b>16,147</b>	<b>2,945</b>	<b>22,667</b>

N.B Current investments includes cash and cash equivalents

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	31-Mar 2018 £000	31-Mar 2018 £000	31-Mar 2018 £000	31-Mar 2018 £000	31-Mar 2018 £000
<b>2017/18 Comparator</b>					
Fair Value through Profit & Loss	3,383	0	0	0	<b>3,383</b>
Amortised Cost	0	144	8,297	5,263	<b>13,704</b>
<b>Total Financial Assets</b>	<b>3,383</b>	<b>144</b>	<b>8,297</b>	<b>5,263</b>	<b>17,087</b>
Non-Financial Assets	0	0	0	3,339	<b>3,339</b>
<b>Total</b>	<b>3,383</b>	<b>144</b>	<b>8,297</b>	<b>8,602</b>	<b>20,426</b>

## Financial Liabilities

	Non Current		Current		Total
	Borrowings 31-Mar 2019 £000	Creditors 31-Mar 2019 £000	Borrowings 31-Mar 2019 £000	Creditors 31-Mar 2019 £000	
<b>2018/19</b>					
Amortised Cost	15,000	1,078	963	2,066	<b>19,107</b>
<b>Total Financial Liabilities</b>	<b>15,000</b>	<b>1,078</b>	<b>963</b>	<b>2,066</b>	<b>19,107</b>
Non-Financial Liabilities	0	0	0	4,887	<b>4,887</b>
<b>Total</b>	<b>15,000</b>	<b>1,078</b>	<b>963</b>	<b>6,953</b>	<b>23,994</b>

	Non Current		Current		Total
	Borrowings 31-Mar 2018 £000	Creditors 31-Mar 2018 £000	Borrowings 31-Mar 2018 £000	Creditors 31-Mar 2018 £000	
<b>2017/18 Comparators</b>					
Amortised Cost	15,000	905	482	2,144	<b>18,531</b>
<b>Total Financial Liabilities</b>	<b>15,000</b>	<b>905</b>	<b>482</b>	<b>2,144</b>	<b>18,531</b>
Non-Financial Liabilities	0	0	0	2,540	<b>2,540</b>
<b>Total</b>	<b>15,000</b>	<b>905</b>	<b>482</b>	<b>4,684</b>	<b>21,071</b>

## Financial Instruments Designated at Fair Value through Profit or Loss

The Council only holds one Financial Asset designated at Fair Value through Profit or Loss. This is the long-term investment held in the CCLA property fund. The Council originally invested £3m (before entry costs) in 2014/15. The investment now has a notional value of £3.436m. The notional gain from this investment is held in the Pooled Investment Fund Adjustment account. This investment is held as a long-term investment for the Council due to the illiquid nature of the holding. Therefore, fluctuations in property valuations will determine the gains and losses in fair value. The fund invests in different classifications of property and at 31 March 2019 had an overall fund value of £1.127bn, making the Council's investment 0.30%.

The Council has seen its initial investment grow by £599,000 since 2014/15 and has benefited from increased investment dividend returns over the time period when compared to standard investments with banks and building societies.

Although historical performance is not a guarantee of future performance, the investment is held for the longer term and will be linked to the overall performance of the fund which will be affected by property values and rental income generated. Therefore, credit risk is considered to be low.

**(b) Income, Expense, Gains and Losses**

2017/18			2018/19	
Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000		Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
0	(152)	<b>Net (Gains)/Losses on:</b>	(53)	0
133	0	Financial Assets measured at Fair Value through Profit or Loss		
		Financial Assets measured at Amortised Cost	84	0
<b>133</b>	<b>(152)</b>	<b>Total Net (Gains)/Losses</b>	<b>31</b>	<b>0</b>
		<b>Interest Revenue:</b>		
(153)	0	Financial Assets measured at Fair Value through Profit or Loss	(147)	0
(71)	0	Financial Assets measured at Amortised Cost	(174)	0
<b>(224)</b>	<b>0</b>	<b>Total Interest Revenue</b>	<b>(321)</b>	<b>0</b>
		<b>Interest Expense:</b>		
1,305	0	Financial Liabilities measured at Amortised Cost	1,306	0
<b>1,305</b>	<b>0</b>	<b>Total Interest Expense</b>	<b>1,306</b>	<b>0</b>

**(c) Fair Value of Assets & Liabilities carried at Amortised Cost**

Financial liabilities and financial assets carried in the Balance Sheet at amortised cost. Their fair values are calculated as follows:

- The Council has based its fair value report on the borrowing/deposit rate for the same financial instrument from a comparable lender.
- A consistent approach has been applied to assets and liabilities.
- Estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2019
- Early repayment or impairment is not recognised; and
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.
- The valuation basis adopted in this report uses **Level 2** Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
15,482	17,768	Financial Liabilities held at amortised cost	15,963	17,197
905	905	Long Term Creditors	1,078	1,078
2,144	2,144	Short Term Operational Creditors	2,066	2,066
<b>18,531</b>	<b>20,817</b>	<b>Total</b>	<b>19,107</b>	<b>20,341</b>

The fair value is more than the carrying amount because the Council's loan portfolio includes fixed rate loans where the interest payable is more than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to the early repayment of the loans.

31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
7,508	7,508	Financial Assets held at amortised cost	14,547	14,547
144	144	Long Term Debtors	139	139
5,263	5,263	Short Term Debtors	2,177	2,177
789	789	Cash & Cash Equivalent	1,600	1,600
<b>13,704</b>	<b>13,704</b>	<b>Total</b>	<b>18,463</b>	<b>18,463</b>

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value.

#### (d) Fair Values of Financial Assets through Profit or Loss

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

2017/18 £000		Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2018/19 £000
3,383	Financial Assets measured at Fair Value through profit or loss	Level 1	Unadjusted quoted priced in active markets for identical shares	3,436
<b>3,383</b>	<b>Total</b>			<b>3,436</b>

#### (e) Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **liquidity risk** – the possibility that the Council might not have funds available to meet its payment commitments; and
- **market risk** – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

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 maintains Treasury Management Practices (TMP's) that provide written principles for overall risk management as well as specific areas covering interest rate risk, credit risk and the investment of surplus cash.

#### (f) Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure from the Council's customers. This risk is minimised through the annual investment strategy, which is available on the council's website at [www.carlisle.gov.uk](http://www.carlisle.gov.uk).

#### 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.

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, 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.

The Council receives continual and up-to-date updates from its Treasury advisors on the credit ratings of all potential counterparties. As at 31 March the council's investment

portfolio for Financial Assets held at amortised cost was as flows with the expected potential credit loss being immaterial.

Counterparty	Principal £000	Moody's Short Term Credit Rating	Historic Risk of Default	Expected Credit Loss £
Barclays Bank	1,000,000	P1	0.000%	1.44
HSBC UK Bank	600,000	P1	0.000%	0.40
Goldman Sachs International Bank	1,000,000	P1	0.002%	17.33
Barclays Bank	1,500,000	P1	0.002%	25.99
Santander UK PLC	2,000,000	P1	0.004%	83.74
Bank of Scotland PLC	1,000,000	P1	0.007%	72.19
Santander UK PLC	1,000,000	P1	0.012%	115.51
Bank of Scotland PLC	1,000,000	P1	0.013%	128.50
Goldman Sachs International Bank	1,000,000	P1	0.017%	168.93
Standard Chartered Bank	1,000,000	P1	0.026%	259.90
Santander UK PLC	1,000,000	P1	0.026%	259.90
Bank of Scotland PLC	2,000,000	P1	0.032%	632.41
Bank of Scotland PLC	2,000,000	P1	0.047%	944.29
	<b>16,100,000</b>			<b>2,710.53</b>

#### Amounts arising from Expected Credit Losses

The following analysis summarises the Council's potential maximum credit risk exposure, based on the experience gathered over the last five financial years, on the level of default on loans and receivables and adjusted for current market conditions:

	Value at 31 March 2019 £000	% Default based on previous experience	% Default adjusted for current market conditions	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	19,102	Nil	Nil	0
Gross Operational Debtors	3,679	39.24%	40.84%	1,502
				<b>1,502</b>

The percentage defaults shown in the above table are high due to the potential bad debt provision of £1,472,000 in relation to Housing Benefit overpayments. The remainder of the bad debt provision relates to sundry debtors and car park fines.

The Council does not expect any losses in respect of non-performance by counter-parties in relation to its wholesale deposits.

The Council does not generally allow credit to its customers. The current value at 31 March 2019 of outstanding debt excluding Housing Benefit Overpayments is £1.056million. Of this amount £0.597million is past its due date for payment. The aged-debt analysis of this sum is as follows:

2017/18 £000		2018/19 £000
464	Less than 3 months	376
12	3-5 months	8
61	More than 5 months	213
<b>537</b>	<b>Total</b>	<b>597</b>

In determining expected credit losses for trade receivables, the Council utilises the lifetime expected credit loss measurement basis under the simplified approach as per the Code of Practice. This approach determines the age of debts and applies the historical likelihood of debt recovery for debts of similar ages.

During the period the movement on the bad debt provision that related to customers including Housing Benefit Overpayments was as follows:

2017/18 £000		2018/19 £000
1,531	Opening Balance	1,512
(152)	Write Offs in Year	(94)
133	(Decrease)/Increase to Provisions	84
<b>1,512</b>	<b>Closing Balance</b>	<b>1,502</b>

#### (g) Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The major risk facing the Council is that it will look to refinance the long term borrowing in 2020, when interest rates may be less favourable than at present. However, the current policy of the Council is not to refinance any of this debt at the moment due to the redemption premium it would be required to pay to the lender. This position will be reviewed as the loan moves nearer to maturity in the light of interest rates prevalent at the time. The budget set in February 2019 has identified a future borrowing requirement in order to finance new capital expenditure although no decision on this has yet to be made.

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

2017/18 £000		2018/19 £000
482	Less than 1 year	482
15,000	Between 1 and 2 years	15,000
<b>15,482</b>	<b>Total</b>	<b>15,482</b>

#### (h) Market Risk

The Council is exposed to some risk due to movements in interest rates on its loans and investments. As nearly all of the Council's borrowing and investments have been placed at



fixed rates, this risk has to a large extent been minimised. Nevertheless, there remain some risks:

- An increase in interest rates will result in a fall in the fair value of borrowings and investments.
- A decrease in interest rates will result in a rise in the fair value of borrowings and investments.
- The value of interest received from investments will rise or fall depending on increases and decreases in interest rates and will impact on the Comprehensive Income and Expenditure Statement.

Borrowings and short-term investments are not carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher and all other variables were held constant the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Surplus/Deficit on provision of services	0
Decrease in Fair Value of investments (Excluding Property Fund)	0
Decrease in Fair Value of Borrowings	(177)

The approximate impact of a fall in interest rates by 1% would have had the same impact as above but would have reversed the movements.

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new borrowing was undertaken in 2018/19.

#### 4.34 Short Term Debtors

2017/18 £000		2018/19 £000
2,916	Central Government Bodies	448
414	Other Local Authorities	224
6,964	Bodies external to government	3,975
(1,692)	Expected Credit Losses	(1,702)
<b>8,602</b>	<b>Total</b>	<b>2,945</b>

### 4.35 Cash and Cash Equivalents

2017/18 £000		2018/19 £000
619	Cash and Bank	(481)
170	Short Term Investments with maturity of less than 3 months	1,600
<b>789</b>	<b>Total</b>	<b>1,119</b>

### 4.36 Assets Held for Sale

2017/18 £000		2018/19 £000
<b>0</b>	<b>Balance outstanding at 1 April</b>	<b>382</b>
	Assets newly classified as held for sale:	
382	Property Plant and Equipment	0
0	Disposals	(382)
<b>382</b>	<b>Balance outstanding at 31 March</b>	<b>0</b>

### 4.37 Short and Long-Term Creditors

2017/18 £000	Short Term Creditors	2018/19 £000
(292)	Central Government Bodies	(3,120)
(614)	Other Local Authorities	(838)
(3,604)	Other Entities and Individuals	(3,018)
(174)	Employee Benefits	23
<b>(4,684)</b>	<b>Total</b>	<b>(6,953)</b>

Long Term Creditors 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 £1,077,689 in 2018/19 (2017/18: £904,735).

## 4.38 Provisions

The movement in the level of provisions held by the Council during 2018/19 is as follows: -

	1 April 2018	Additions in year	Used in year	Unused Amounts reversed	31 March 2019
	£000	£000	£000	£000	£000
Insurance Claims	234	10	(70)	0	174
Municipal Mutual Insurance (MMI)	26	0	(26)	0	0
Cemeteries Perpetuity Fund	75	0	0	0	75
Land Charges Provision	131	28	(100)	0	59
Rickergate Properties Ringfenced Account	136	42	(35)	0	143
Other Provisions	75	14	(12)	0	77
<b>Total</b>	<b>677</b>	<b>94</b>	<b>(243)</b>	<b>0</b>	<b>528</b>
Business Rate Appeals (City Council Share)	688	750	(117)	0	1,321
<b>Total (All Provisions)</b>	<b>1,365</b>	<b>844</b>	<b>(360)</b>	<b>0</b>	<b>1,849</b>
<b>Split as:</b>					
Falling due within 1 year	948	760	(213)	0	1,495
Falling Due after 1 year	417	84	(147)	0	354

**(i) Insurance Claims**

The Council has established a provision totalling £174,000 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 2019 and the insurance provision will therefore cover this value in full. However, it is expected that £63,000 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) 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 2019 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £1,014,554. 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 in order to achieve a solvent run off for MMI. A total levy of £253,638 has been paid by the Council to date.

**(iii) Other Provisions**

**a. Business Rate Retention Appeals**

An appeals provision has been established in accordance with the new scheme. The City Council share of the outstanding appeals is £1,321,000 and

this is also reflected in the Collection Fund Statement. The overall provision for appeals within the Collection Fund is £3,302,000.

**b. 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.

**c. Land Charges Provision**

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

**d. 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.

**e. Other Provisions**

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

## **4.39 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.

2017/18 £000		2018/19 £000
<b>28,086</b>	<b>Balance at 1 April</b>	<b>26,903</b>
1,022	Upward Revaluation of Assets	1,357
(1,690)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(30)
(668)	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	1,327
(305)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(261)
(210)	Accumulated gains on assets sold or scrapped	0
<b>26,903</b>	<b>Balance at 31 March</b>	<b>27,969</b>

**(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.

Note 4.5 provides details of the source of all the transactions posted to the Account.

2017/18 £000		2018/19 £000
<b>117,353</b>	<b>Balance at 1 April</b>	<b>114,754</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(2,048)	Charges for depreciation and impairment of non-current assets	(2,285)
(25)	Amortisation of Intangible Assets	(28)
(1,227)	Revaluation losses on Property, Plant and Equipment	188
(1,737)	Revenue Expenditure Funded from Capital under Statute	(2,853)
(841)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(668)
<b>(5,878)</b>		<b>(5,646)</b>
515	Adjusting Amounts written out of the Revaluation reserve	261
<b>(5,363)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(5,385)</b>
<b>111,990</b>		<b>109,369</b>
	Capital Financing Applied in the year	
928	Use of Capital Receipts Reserve to finance new capital expenditure	607
3,495	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,089
35	Application of grants to capital financing from the Capital Grants Unapplied Account	0
147	Statutory provision for the financing of capital investment charged against the General Fund	21
4,720	Capital expenditure charged against the General Fund	2,110
<b>9,325</b>		<b>4,827</b>
(6,561)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,400)
<b>114,754</b>	<b>Balance at 31 March</b>	<b>111,796</b>

**(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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000		2018/19 £000
<b>(42,029)</b>	<b>Balance at 1 April</b>	<b>(34,938)</b>
8,852	Remeasurements of the net defined benefit liability/(asset)	(4,568)
(4,515)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,498)
2,754	Employer's pensions contributions and direct payments to pensioners payable in the year	2,924
<b>(34,938)</b>	<b>Balance at 31 March</b>	<b>(41,080)</b>

**(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.

2017/18 £000		2018/19 £000
<b>(5)</b>	<b>Balance at 1 April</b>	<b>(165)</b>
(160)	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	470
<b>(165)</b>	<b>Balance at 31 March</b>	<b>305</b>

**(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.

2017/18 £000		2018/19 £000
<b>(172)</b>	<b>Balance at 1 April</b>	<b>(174)</b>
172	Settlement or cancellation of accrual made at the end of the previous period	174
(174)	Amounts accrued at the end of the current year	(151)
<b>(2)</b>	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	<b>23</b>
<b>(174)</b>	<b>Balance at 31 March</b>	<b>(151)</b>

**(f) Pooled Investment Fund Adjustment Account**

The Pooled Investment Fund Adjustment Account contains the cumulative gains and losses made by the Council arising from increases in the fair value of its investments 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. This account replaces the Available for Sale Reserve.

2017/18 £000		2018/19 £000
	<b>Balance at 1 April</b>	<b>546</b>
	Upward/(Downward) Revaluation of Investments	53
		<b>53</b>
	<b>Balance at 31 March</b>	<b>599</b>

**(g) Available for Sale Reserve (Financial Instruments)**

The Available for Sale Reserve contained the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. For 2018/19, the requirement to report these financial instruments as Fair Value through profit or loss means that the balances are now shown in the Pooled Investment Fund Adjustment Account (above) as a result of the Statutory Override.

2017/18 £000		2018/19 £000
<b>394</b>	<b>Balance at 1 April</b>	
152	Upward/(Downward) Revaluation of Investments	
<b>152</b>		
<b>546</b>	<b>Balance at 31 March</b>	



#### 4.40 Capital Expenditure and Capital Financing

2017/18 £000		2018/19 £000
12,423	Opening Capital Financing Requirement	12,657
	<b>Capital Expenditure</b>	
6,879	Property, Plant and Equipment	3,004
948	Investment Properties	6
7	Heritage Assets	1
1,737	Revenue Expenditure funded from Capital Under Statute	2,853
9,571		5,864
	<b>Sources of Finance</b>	
(928)	Capital Receipts used to finance expenditure	(607)
(1,785)	Government Grants and Contributions	(1,760)
(4,720)	Revenue Financing & Reserves	(2,110)
(147)	Minimum Revenue Provision	(21)
(12)	Transferred Debt	(11)
(1,745)	Contributions from other bodies	(329)
(9,337)		(4,838)
12,657	<b>Closing Capital Financing Requirement</b>	13,683
	<b>Explanation of Movements in year</b>	
234	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	1,026
234	<b>Increase/(decrease) in Capital Financing Requirement</b>	1,026

#### 4.41 Leases

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 2018/19 was £4.474m (£4.470m 2017/18). At 31 March 2019 the minimum lease payments under operating leases and contract hire agreements were as follows:

2018/19	Property Leases £000
Not later than 1 year	786
Later than 1 year and not later than 5 years	2,844
later than 5 years	45,457
<b>Total</b>	<b>49,087</b>

2017/18	Property Leases £000
Not later than 1 year	1,031
Later than 1 year and not later than 5 years	2,891
later than 5 years	44,975
<b>Total</b>	<b>48,897</b>

The capital value held within the balance sheet at 31 March 2019 in respect of land and property generating leasehold income is £85,038million (£87.484million 2017/18). This figure represents the gross value of the Investment Properties and as these are non-operational fixed assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £2,958,577. (2017/18: £3,364,857).

#### 4.42 Disclosure of Net Pension Assets/Liabilities

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 as administered by Cumbria County Council. This is a funded defined benefit final salary 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 principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated by to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather when the benefits are eventually paid as pensions. However, the charge that is made against council tax is based on the cash payable in the year, resulting in the real cost of providing retirement benefits being reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2018/19.

The difference in 2018/19 reflects the impact of the early repayment of the three years LGPS deficit lump sum (£2.830million) paid by the Council in 2017/18 to the Cumbria Local Government Pension Scheme in April 2017. Although the early repayment has already happened accounting standards require the Council to account for the payment of the LGPS deficit lump sum in the year that it falls due as assessed by the actuary. For 2018/19 the value was assessed to be £0.935m. The net Pensions Liability is therefore £0.956million lower than the shortfall reported in the Pensions Reserve reflecting that requirement; the £0.956million is the value of the prepayment that will be accounted for in 2019/20. By undertaking the early repayment and therefore paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying its employers deficit to the LGPS by £0.268million over the three years 2017/18 to 2019/20. This saving has been reflected in the Council's revenue budget and MTFP.

2017/18 £000		2018/19 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<u>Net Cost of Services</u>	
3,435	Current Service Costs	3,403
0	Past Service Costs / (Gain)	3
118	(Gains)/Losses from Settlements	232
	<u>Financing and Investment Income &amp; Expenditure</u>	
962	Net Interest Expense	860
<b>4,515</b>	<b>Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services</b>	<b>4,498</b>
	<u>Other Comprehensive Income and Expenditure</u>	
	Remeasurements of the net defined benefit liability comprising:	
(2,011)	Return on Plan Assets (excluding the amount included in the net interest expense)	(5,019)
(6,841)	Actuarial gains and losses arising on changes in financial assumptions	9,587
<b>(8,852)</b>	<b>Total Other Comprehensive Income &amp; Expenditure</b>	<b>4,568</b>
<b>(4,337)</b>	<b>Net Charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>9,066</b>
	<b>Movement in Reserves Statement</b>	
4,515	Reversal of net charge made for retirement benefits in accordance with IAS 19	4,498
(2,754)	Actual amount charged against the General Fund Balance for pensions in the year	(2,924)
<b>1,761</b>	<b>Contribution (to) / from Pension Reserve</b>	<b>1,574</b>

There have been reductions in the discount rates during the year and an increase in the CPI inflation assumption. There are also gains in investment markets over the period although there will be significant variation depending on the asset portfolio of the individual fund. The overall effect of these changes will vary from employer to employer but are likely to see deficits increase over the year.

**(a) Assets and Liabilities in relation to Retirement Benefits**

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

31 March 2018 £000		31 March 2019 £000
186,160	Benefit Obligation at beginning of period (1 April)	180,451
3,376	Current Service Cost	3,341
4,591	Interest on Pension Liabilities	4,665
635	Member Contributions	665
	Remeasurement (Gains) and Losses:	
(6,841)	Actuarial (Gains)/Losses arising from changes in financial assumptions	9,587
0	Past Service Cost	3
118	Losses/(Gains) on Curtailments	232
(5,697)	Benefits/transfers paid	(6,583)
(1,891)	Lump Sum Pension Deficit repayment	935
<b>180,451</b>	<b>Benefit Obligation at end of period (31 March)</b>	<b>193,296</b>

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

31 March 2018 £000		31 March 2019 £000
144,131	Fair Value of plan assets at beginning of period (1 April)	147,404
3,629	Interest on Plan Assets	3,805
	Remeasurement gain/(loss):	
2,011	The return on plan assets, excluding the amount included in the net interest expense	5,019
(59)	Other - Administration Expenses	(62)
2,754	Employer Contributions	2,924
635	Member Contributions	665
(5,697)	Benefits/transfers paid	(6,583)
<b>147,404</b>	<b>Fair Value of plan assets at end of period (31 March)</b>	<b>153,172</b>

## Pension Assets and Liabilities recognised in the Balance Sheet:

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

31 March 2018 £000		31 March 2019 £000
180,451	Present value of the defined benefit obligation	193,296
(147,404)	Fair Value of Plan Assets	(153,172)
<b>33,047</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>40,124</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance

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

The actual return on scheme assets in the year was a gain of £8,824,000 (2017/18: a gain of £5,640,000).

**(b) Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council's liabilities within the Cumbria County Council Pension Fund have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme effective from 1 April 2017.

The main assumptions used in their calculations are:

2017/18		2018/19
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.20	Men	23.20
25.80	Women	23.30
	Longevity at 65 for future pensioners:	
25.50	Men	25.50
28.50	Women	25.60
2.10%	Rate of Inflation (CPI)	2.20%
3.60%	Rate of Increase in Salaries	3.70%
2.20%	Rate of increase in Pensions	2.30%
2.60%	Rate of discounting Scheme Liabilities	2.40%

Assets in the Cumbria Local Government Pension Scheme are valued at fair value, mainly market value for investments, and consist of the following categories by proportion:

2017/18		2018/19
£000		£000
73,259	Equity Investments	72,605
25,796	Government Bonds	27,418
9,139	Bonds	9,649
13,709	Property	14,245
7,812	Cash/Liquidity	7,505
17,689	Other Assets	21,750
<b>147,404</b>		<b>153,172</b>

The table below shows the sensitivity impact on actuarial assumptions of a change in the assumptions used

2018/19		+0.1% p.a. discount Rate	+0.1% p.a. inflation	+0.1% Pay Growth	1 Year Increase in Life Expectancy
£000		£000	£000	£000	£000
193,296	Liability	190,022	196,629	193,720	197,144
(153,172)	Assets	(153,172)	(153,172)	(153,172)	(153,172)
<b>40,124</b>	<b>Deficit / (Surplus)</b>	<b>36,850</b>	<b>43,457</b>	<b>40,548</b>	<b>43,972</b>
3,644	Projected Service Cost for Next Year	3,541	3,751	3,644	3,718
953	Projected Net Interest Cost for Next Year	911	1,036	966	1,048

### (c) Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed on 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, establishing new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2,555,345 expected contributions to the scheme in 2018/19. For 2019/20 the Council expects to pay total employer contributions of £2,746,000, however it has made an upfront contribution to the pension fund for the amount of contributions in respect of funding the pension deficit for the three-year period from 2017/18 to 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2018/19 (17 years in 2017/18).

The annual report of the Cumbria Local Government Pension Scheme is available from Cumbria County Council, Cumbria House, Carlisle.

### (d) Impact of McCloud Judgement

The Pension Liability reported in these statements has not been adjusted to take account of the recent 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. The Council has undertaken an assessment the judgement would have on its pension liabilities and figures provided by the actuary indicate that the pension liability would be £1.020million greater due to an increase in past service costs.

As part of this additional work undertaken, the actuary also revised the return on pension assets to incorporate the actual return achieved as at 31 March. This meant that assets on pensions would also have increased by £747,000. The overall impact of these would mean the pension liability as reported would be £40.397million rather than £40.124million.

The table below highlights the impact of the reassessment of pension assets and liabilities would have on the figures as reported in the Statement of Accounts:

	As reported in Statement of Accounts	McCloud assessment	Updated Asset Return	Change
	£000	£000	£000	£000
Past Service Cost	3	1,023	0	1,020
Return on Plan Assets	(5,019)	0	(5,766)	(747)
Fair Value of Plan Assets	(153,172)	0	(153,919)	(747)
Present Value of Benefit Obligations	193,296	194,316	0	1,020
<b>Deficit / (Surplus)</b>	<b>40,124</b>	<b>40,397</b>		<b>273</b>

#### 4.43 Contingent Assets and Liabilities

There are no contingent assets for 2018/19. The items below are classified as contingent liabilities:

**(a) Home Group**

During 1992/93 the City Council entered into 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 obviously 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 2019 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 2019, 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 2019. Local businesses can appeal against the rating list in 2017/18 and beyond. Because the majority of 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 if submitted that 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. During 2018/19 the Council used £650,000 of General Fund Reserves to make dangerous structures safe and similar obligations could arise in the future. No provision has been made for these in these accounts as it is not known if and when a transfer of economic benefit could occur and how much this could be.

**4.44 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Corporate Director of Finance and Resources on 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**4.45 Authorisation for Issue**

The draft Statement of Accounts were authorised for issue on 31 May 2019 by the Corporate Director of Finance and Resources, Alison Taylor CPFA. The audited Statement of Accounts were re-authorised for issue on 22 July 2019 by the Corporate Director of Finance and Resources, Alison Taylor, CPFA and approved by the Audit Committee at its meeting 30 July 2019. This is the date up to which post balance sheet events have been considered.



## Cash-Flow Statement

### 4.46 Cash Flow Statement – Operating Activities

2017/18 £000		2018/19 £000
1,540	(Surplus) / Deficit on the Provision of Services	6,009
	<b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>	
(3,300)	Depreciation and downward revaluation charges	(2,125)
(6,561)	Movement in Fair Value of Investment Properties	(2,400)
(841)	Carrying amount of non current assets sold	(668)
(1,761)	Pension (IAS 19)	(1,574)
(32)	Increase/(decrease) in inventories	4
500	Increase/(decrease) in debtors	(4,754)
2,301	(Increase)/decrease in creditors	(2,322)
0	Lump Sum pension deficit repayment	(935)
(2)	Other non-cash items charged to net surplus/deficit on provision of services	93
(9,696)		(14,681)
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
928	Proceeds from the sale of property plant and equipment, investment property and intangible assets	607
1,274	Capital Grants charged to Comprehensive Income and Expenditure	169
2,202		776
(5,954)	<b>Net Cash Flow from Operating Activities</b>	(7,896)
	<b>Shown within Net Cash Flow from Operating Activities</b>	
1,304	Interest Payable	1,305
(226)	Interest Receivable	(281)
1,078		1,024

## 4.47 Cash Flow Statement – Investing and Financing Activities

2017/18 £000		2018/19 £000
	<b>Investing Activities</b>	
7,726	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	3,241
20,500	Purchase of Short Term and Long Term Investments	28,500
(142)	Other Payments for Investing Activities	8
(899)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(993)
(23,500)	Proceeds from Short Term and Long Term Investments	(21,500)
(143)	Other Receipts from Investing Activities	(61)
<b>3,542</b>	<b>Net Cash Flows from Investing Activities</b>	<b>9,195</b>
	<b>Financing Activities</b>	
	Other payments for financing activities	
2,422	Movement in relation to Business Rates and Council Tax	(1,629)
1,891	Movement in relation to Pension Fund Prepayment	0
<b>4,313</b>	<b>Net Cash Flows from financing Activities</b>	<b>(1,629)</b>

## SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

### 5.1 The Collection Fund Statement

The Collection Fund, established under the Local Government Finance Act 1988 (as amended), is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2017/18 Council Tax £000		2018/19 Council Tax £000
57,103	<b>Amounts required by statute to be credited to the Collection Fund</b> Council Tax (showing the amount receivable, net of benefits discounts for prompt payment and transitional relief)	60,230
<b>57,103</b>	<b>Total Income</b>	<b>60,230</b>
	<b>Amounts required by statute to be debited to the Collection Fund</b> Precepts and demands from Major Preceptors and the Authority - Council Tax	
42,972	Cumbria County Council	44,964
7,409	Police and Crime Commissioner for Cumbria	7,854
7,347	Carlisle City Council	7,601
	Impairment of debts/appeals for Council Tax	
(73)	Write Offs of uncollectable amounts	(104)
82	Allowance for Expected Credit Losses (Bad Debts)	193
137	Contribution towards previous year's estimated Collection Fund Surplus - Council Tax	97
<b>57,874</b>	<b>Total Expenditure</b>	<b>60,605</b>
1,708	<b>Opening Fund Balance - Council Tax Surplus/(Deficit)</b>	937
937	<b>Closing Fund Balance - Council Tax Surplus/(Deficit)</b>	562
(771)	<b>Movement on Fund Balance - Council Tax</b>	(375)

2017/18 Non-Domestic Rates £000		2018/19 Non-Domestic Rates £000
43,819	<b>Amounts required by statute to be credited to the Collection Fund</b> Non Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs)	44,224
<b>43,819</b>	<b>Total Income</b>	<b>44,224</b>
	<b>Amounts required by statute to be debited to the Collection Fund</b>	
	Shares of Non- Domestic rating income to major preceptors and the (billing) authority - Non-Domestic Rates	
4,121	Cumbria County Council	4,076
16,483	Carlisle City Council	16,306
20,604	Central Government	20,377
3,025	Transitional Protection payments non-domestic rates	1,792
176	Charge to General Fund for allowable collection costs for Non-Domestic Rates	179
334	Disregarded Amounts - Renewable Energy Schemes	319
0	Disregarded Amounts - Enterprise Zone	5
	Impairment of debts/appeals for Non-Domestic Rates	
81	Write Offs of uncollectable amounts	316
(51)	Allowance for expected credit losses (bad debts)	(27)
(77)	Movement in Provision for Appeals	1,580
(248)	Contribution towards previous year's estimated Collection Fund Surplus - Non-Domestic Rates	(2,089)
<b>44,448</b>	<b>Total Expenditure</b>	<b>42,834</b>
(623)	<b>Opening Fund Balance - Non-Domestic Rates Surplus/(Deficit)</b>	(1,252)
(1,252)	<b>Closing Fund Balance - Non Domestic Rates Surplus/(Deficit)</b>	138
(629)	<b>Movement on Fund Balance - Non Domestic Rates</b>	1,390

The Summary of the Collection Fund Balances is as follows:

2017/18 £000		2018/19 £000
(623)	Opening Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(1,252)
1,708	Opening Fund Balance - Surplus/(Deficit) - Council Tax	937
<b>1,085</b>	<b>Total Opening Collection Fund Balance</b>	<b>(315)</b>
(629)	Movement on Collection Fund - Non-Domestic Rates	1,390
(771)	Movement on Collection Fund - Council Tax	(375)
<b>(1,400)</b>	<b>Total Movement on Collection Fund Balance</b>	<b>1,015</b>
(1,252)	Closing Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	138
937	Closing Fund Balance - Surplus/(Deficit) - Council Tax	562
<b>(315)</b>	<b>Total Closing Collection Fund Balance - Surplus/(Deficit)</b>	<b>700</b>

## 5.2 Notes to the Collection Fund

### Council Tax

On the basis that surpluses and deficits are shared with the County Council and the Police and Crime Commissioner for Cumbria, the Council has accounted for the Collection Fund balance in its 2018/19 Statement of Accounts as follows:

- The £562,579 surplus is accounted for in line with the Code of Practice 2018 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £69,394 Carlisle share of the surplus is shown as a balance on the Collection Fund Adjustment Account. The £416,088 share is attributable to the County Council and the £77,097 attributable to the Police & Crime Commissioner is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

### Non-Domestic Rates

On the basis that surpluses and deficits are shared with Central Government and the County Council, the Council has accounted for the Collection Fund balance in its 2018/19 Statement of Accounts as follows:

The £137,523 surplus is accounted for in line with the Code of Practice 2018 guidance, with the Council acting as the major precepting authorities' agent in the collection of Business Rates. The £55,009 Carlisle share of the deficit is shown as a balance on the Collection Fund Adjustment Account. The £68,762 share is attributable to Central Government and the £13,752 attributable to the County Council is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

**Council Tax base calculation**

The council tax base set for 2018/19, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	33.84	5/9	18.80
A	14,388.93	6/9	9,592.62
B	9,978.67	7/9	7,761.19
C	6,791.32	8/9	6,036.73
D	5,061.70	9/9	5,061.70
E	2,602.09	11/9	3,180.33
F	1,074.59	13/9	1,552.19
G	352.49	15/9	587.49
H	21.45	18/9	42.90
	<b>40,305.09</b>		<b>33,833.95</b>
Second Homes	199.55		199.55
Relevant Amount	<b>40,105.54</b>		<b>33,634.40</b>
Estimated Collection Rate			98.50%
<b>Council Tax Base =</b> <b>Relevant Amount (Band D Equivalent) x Collection Rate</b>			<b>33,129.88</b>

**Income from Business Ratepayers**

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (49.3p in 2018/19), and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their business premises by this annual rate. The Council is responsible for collecting rates due from the ratepayers in its areas

The total rateable value for the Council's area was £108,269,928 for the year (2017/18: £107,642,936).

**Billing and Precepting Authorities**

Carlisle City Council is the billing authority for council tax and NNDR bills and therefore collects all the income due for the year. The Council pays over to Cumbria County Council and Cumbria Police Authority amounts they have requested to provide their services in the Council area. These sums are known as precepts and for 2018/19 the values were: -

2017/18 £		2018/19 £
7,347,104	Carlisle City Council	7,600,663
42,972,400	Cumbria County Council	44,963,681
7,408,612	Cumbria Police Authority	7,854,375

Included in the amount for the City Council is a precept of £598,221 (2017/18: £552,399) which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

**Debtors for Local Taxation**

The total arrears on Council Tax at 31 March 2019 was £3,007,540. The City Council share of these arrears can be analysed as follows:

2017/18 £000		2018/19 £000
	<b>Council Tax</b>	
n/a	Less than three months	10
n/a	Three to Six months	18
163	Six months to One year	158
155	More than One year	185
<b>318</b>	<b>Total</b>	<b>371</b>

The total arrears on business rates at 31 March 2019 was £1,228,410 (including costs of £7,842). The City Council share of these arrears can be analysed as follows:

2017/18 £000		2018/19 £000
	<b>Non-Domestic Rates</b>	
20	Less than three months	23
27	Three to Six months	47
327	Six months to One year	157
436	More than One year	264
<b>809</b>	<b>Total</b>	<b>491</b>

## SECTION 6 – ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

Carlisle City Council ('the Council') is responsible for ensuring that its business is conducted both in accordance with the law and proper, appropriate standards. In addition, the Council must seek to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a local Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA/Solace Framework '*Delivering Good Governance in Local Government*'. A copy of the Code can be obtained from the Council's Corporate Director of Finance & Resources. The Council has 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 has complied with the Code and application note and also 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.

### The Purpose of the Governance Framework

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

The system of internal control is a significant part of the Council's framework and is 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 is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- 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 has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts for 2018/19.



## **The Governance Framework**

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

### **The Council's vision of its purpose and intended outcomes**

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015. The plan will be refreshed in 2019 based on agreed priorities of the Executive.

### **The Council's vision – implications for governance arrangements**

The Carlisle Plan is annually reviewed by Members to ensure the vision and priorities are still relevant and consistent with Members' aspirations. The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of the overall vision. The plan is accompanied by a 'Plan on a Page', this sets out the key actions for fulfilling the plan. The Plan on a Page has been revised during the year as key actions have been completed. Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

### **Measuring the quality of service for users**

The Council's Service Standards ensure that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels and media such as Carlisle Focus, Customer Contact Centre, and online surveys. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impact of key decisions are recorded in each of the Executive papers ensuring that impact assessments form part of all the Council's key decisions.

The work of the Transformation SMT sub-group has continued to develop service delivery following the launch of a new '.gov' website. The focus is on the development of digitising Council Services, with an emphasis on using SharePoint websites and developing Information Governance. Performance in services provided to customers was monitored through management information indicators, highlighting short and medium term trends which are reported corporately to the Senior Management Team<sup>1</sup>. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive<sup>2</sup> and relevant Overview & Scrutiny Panels with progress made in 2018/19 detailed below:

---

<sup>1</sup> The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

<sup>2</sup> See Report to Executive for full details, 4<sup>th</sup> Quarter Performance Report 2018/19

**PRIORITY – Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle**

The City Centre redevelopment projects have been a focus, promoting the development opportunities and regeneration opportunities within the city centre (including Carlisle Station, Caldew Riverside, The Citadel, English Street and The Pools). Detailed appraisal of development options for the city centre regeneration sites currently being undertaken to support the business cases for the Borderlands Inclusive Growth Deal.

Support has continued for the delivery of a Carlisle Enterprise Zone at Kingmoor Park. So far this has delivered approximately 200,000sqm of new employment related floor space, across 73ha creating an additional 3,000 jobs and representing private sector investment of £109m.

The development of Carlisle Airport as a regional gateway moved forward with the start date for commencement of commercial flights. The new airport offer expands to include increased freight and in addition passenger services.

Work continues to identify and deliver further projects aligned with the Cumbria Local Enterprise Partnership, through the Local Industrial Strategy.

The Borderlands Inclusive Growth Deal was awarded in March 2019. It is anticipated that a Heads of Terms agreement on a deal could be reached by the end of the calendar year/early 2019. Thereafter it can typically take twelve months to agree and sign a deal based on the experience of other areas. The deal would then progress to the implementation and delivery phase, timescales for which would be dependent on individual projects or programmes.

The Infrastructure Delivery Plan remains aligned to the Carlisle District Local Plan 2015-30 and is critical to development of a masterplan and delivery strategy for St. Cuthbert's Garden Village.

The St Cuthbert's Garden Village Masterplan covering housing, design, employment land, community facilities, transport and infrastructure will be incorporated into a Development Plan Document (DPD) which will require approval by Council.

In February £102m Housing Infrastructure Fund was awarded to the County Council for delivery of the Carlisle Southern Link Road and £300K Garden Village Capacity Award was made to the City Council.

The Council continues to support the delivery of the city region Skills Plan aligned to business growth, sustainability requirements and the LEP Skills Strategy. The emerging Economic Strategy and Local Industrial Strategy will contribute significantly towards the achievement of this objective through the exploration of the requirements of key sectors operating and expanding within the area and the alignment of these requirements with the education offer of local education providers. The emerging Economic Strategy will contribute significantly towards the achievement of this objective through the exploration of the requirements of businesses and therefore linking requirements with targeted support, including through the Growth Hub.

**PRIORITY - Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents**

The Council has completed an assessment of updated costs for the proposed Sands Centre Redevelopment and a decision was made by full Council in June 2019 to progress the delivery of new leisure facilities at the Sands Centre. The Council's capital programme will reflect the £25.5million scheme and funding with completion of the scheme anticipated in mid-2021.

The Council continues to work with key partners to deliver the World Health Organisation Phase VI Healthy City Action Plan. Phase VII details are to be released in early 2019 and mapping has been linked to the Cumbria Health and Wellbeing Strategy, Cumbria Public Health Strategy and the 6Ps to assist in action plan development. The Carlisle Partnership has completed further development of the Place Standard, with a funding submission being developed and partners exploring its use.

The Carlisle Partnership continues to support and develop the Food City Partnership which includes: Local Healthy Eating Options; Carlisle Food Charter; food sector supply chain development; food skills; education and tourism.

Work has been undertaken with partners to promote workplace health across the partnership. The Council has led by example by achieving the Better Health at Work Bronze Award.

**PRIORITY – continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working and visiting in Carlisle**

Kerbside recycling collections were extended to additional properties across Carlisle and at the same time the range of recyclable material collected from households was extended. Website pages and new literature have been developed to promote recycling and address some public misconceptions. Technical Officers have carried out resident surveys and supported events in supermarkets.

Air Quality Assessment has been approved and monitoring results continue to show downward trends.

**PRIORITY – Address current and future housing needs to protect and improve residents' quality of life**

A Draft Strategic Housing Market Assessment has now been received and is being finalised. This evidence base will feed into the Emerging Housing Strategy.

Work with partners to monitor progress against Carlisle's Inter-agency Homelessness Strategy 2015-20 continues. The current strategy ends in 2020 and as such a thorough review will be undertaken in 2019/20 in line with statutory guidelines to shape the next 5 years' priorities in line with local needs and government priorities. National and Countywide external funding streams and commissioned services are in place to positively address homelessness issues.

The drive to improve standards in the private rented sector (including student accommodation) through inspections, advice and, where necessary, enforcement continues.

The Council continues to develop and promote the Council's Empty Homes Service by delivering advice and information to empty homes owners. A dedicated Empty Homes Officer has been in post since January 2018 and an Enforced Sale Policy agreed by Executive in September.

The annual mandatory Disabled Facilities Grant Programme has been completed. The revised Regulatory Reform Order Strategy to improve expenditure compatible with the discretionary grant is in place.

The Council has developed local solutions to ensure opportunities to maximise the delivery of affordable homes which respond to locally evidenced needs. A Cumbria and Lancaster Community-Led Housing Hub has been established, in partnership with 5 other Local Authorities, to develop local initiatives for the delivery of affordable homes. The Hub, which is managed by Action with Communities in Cumbria will provide support and advice to local community groups to help facilitate the delivery of custom build housing.

## **PRIORITY – Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential**

A rolling events programme is in place to raise the profile of the city, attract more visitors, celebrate diversity and increase pride in the city. Work continues with Carlisle Ambassadors to raise the profile of Carlisle through business engagement. Over 175 businesses are members and Carlisle Young Ambassadors has been established with growing interest.

### **Roles and Responsibilities**

The City Council comprised 52 elected Members during 2018/19 and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the “Strong Leader” model whereby the Council appoints the Leader for a four-year period, who then nominates his/her Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each. A Boundary Commission review of ward boundaries reduced the number of elected members to 39 as from May 2019 elections.

For 2018/19 the Executive comprises the Leader and five Executive Members, 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 has 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 he/she reviews at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council’s website. All decisions made by the Executive, whether collectively or individually, are 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 is responsible for setting the Council’s budget and policy framework within which the Executive must operate. The Council has also established three Overview and Scrutiny Panels; Health & Wellbeing, Economy Growth and Business & Transformation. These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process. Each Panel also has a nominated member of the Council’s Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council’s Constitution.

The Council’s Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, transparent manner and, from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are 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 are set out in the Constitution, together with the extensive 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 are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2018/19, comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

## **Codes of Conduct and Standards**

The Council has formally adopted a 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 form part of the Council's suite of constitutional documents and all Members undertake 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, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons, 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 is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is 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, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include 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 is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

The Council has its own Code of Officer Conduct (built under the same Nolan principles). The Code was formally approved by Members in September 2010 and forms part of the Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours. There is 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, Fraud & Corruption and Budgetary Control issues and a Management Development Programme. This forms 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) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can 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, are set out extensively in the Council's Constitution. They define 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, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegations to Officers continued to be developed 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 has revised and developed its risk management arrangements and has now implemented a Risk Management Assurance Framework, incorporating the three lines of defence assurances model. Risk assessment is 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 provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees 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 are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function, initially Project Server, but work was undertaken in the year to transfer this to SharePoint.

A Risk Management SMT Subgroup supplements the CRMG and part of its remit is to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and H&S risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies we have in place to manage risk.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. Risk management training has been provided alongside training sessions on specific issues such as Event management. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme.

The Council has introduced an Information Governance Framework including guidance on the retention of records and continues to develop records management arrangements. Training and guidance on data protection continues to be delivered to Members and Officers during the year. The Information Governance Manager monitors compliance, amongst other duties, with the new requirements of GDPR. In addition, the Council's Internal Audit function has reviewed records management as part of all audit work that includes personal information.

## **Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained**

In accordance with the "*Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption has been undertaken during the year and an e-learning module on Money Laundering is also 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.

## 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 has been successful in achieving a significant amount of revenue savings. Its current transformation programme has identified that a further £1.237 million is required in 2019/20. 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 will be found on a non-recurring basis where possible.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. The Deputy Chief Executive and the Corporate Director Finance & Resources, supported by SMT, provides accountability for the delivery of the savings strategy thus ensuring that the transformation of Council services is controlled and managed effectively; with appropriate Corporate Directors being responsible for delivering individual schemes within the overall programme.

## Financial Management Arrangements

The Council has 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 2018/19 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 18 officers, who support 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 to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2020/21 to 2024/25 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between July and September 2019. All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.

Value for Money benchmarking exercises are undertaken across service areas when required. The cost and performance of services are compared with other authorities both locally (Cumbria wide) and nationally. These profiles and benchmarks are used to inform Senior Managers and Members of service areas, which should be targeted for further challenge and improvement review.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and BTSP. The Council is 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 has been 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 are presented to the Audit Committee and are considered by Executive, BTSP 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 are in place for the discharge of the Monitoring Officer function**

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Legal Services Manager acting as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides 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 conducts annual reviews of the Council's Constitution and makes recommendations for change, which are 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 has 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 provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is 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 negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out his role and responsibilities in respect of management structures and the discharge of functions by the Council. He will report to Council on:



- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

He is currently supported in his role by a deputy and three Corporate Directors and has 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 supports the Business and Transformation Scrutiny Panel and currently has direct line management responsibilities for Customer Services, Revenues & Benefits 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 are established, each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

### **Audit Committee**

As a means of ensuring best practice, the Council has 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 operates in accordance with CIPFA's "*Audit Committees – Practical Guidance for Local Authorities (2013)*". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council has 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 2018/19 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit is the Council's Financial Services Manager, who manages an in-house Internal Audit team comprising a Principal Auditor and two Auditors. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter.

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 in to the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and may undertake priority risk audit (hot assurance) 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 2018/19, though the opinion notes a high level of recommendations relating to ICT that, while not currently impacting on the audit opinion, requires close scrutiny during 2019/20.

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 during the year.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The

Designated Head of Internal Audit and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and was assessed as fit for purpose for 2018/19. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 5 years' experience in Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 9 years' experience in local government internal auditing. As part of the 2018/19 internal audit plan, the team also contracted an IT auditor to carry out specialist work reviewing technical aspects of the Council's ICT internal control framework.

## **Ensuring Compliance with Relevant Laws**

Systems are in place to ensure that appropriate legal and financial advice is 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 incorporate an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any particular matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is 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 are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has 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 subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

## **Complaints and Whistle blowing**

The Council operates 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 be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides 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 review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

The Council has a Confidential Reporting Policy that is available to all members of staff.

### **Identifying the development needs of Members and senior officers**

The Council has a formal appraisal scheme, which is mandatory for all officers, including all senior managers. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the Business and Transformation Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has 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 are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been prepared and approved and Service Plans include workforce planning and needs.

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 is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Bronze Better Health at Work Award. There is 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 are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

### **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 are publicly available unless justifiable reasoning is provided to maintain confidentiality and the Council is 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 will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through media such as the Carlisle Focus magazine and other online surveys. The Council also engages 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 continues to deliver most of its key services directly there are a number of areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the partner's expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate 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 ensure that partnerships are entered into for the right reasons, all factors/implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is 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, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

Appendix E of the Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are 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 are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Business and Transformation Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the proposed annual summary reporting on partnership working arrangements. This reporting is co-ordinated by Financial Services and is considered by SMT and the Business and Transformation Scrutiny Panel.

## **Review of Effectiveness**

The Council has 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 is informed by the work of the managers within the Council who have 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 have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines 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 are held during each year and all reports to the Executive include 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 oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is 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 reports 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 presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control.

The Council also receives assurances for its external auditors, Grant Thornton, who provides 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 receive a management response and are 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 is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

We have been advised on the implications of the result of 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.

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 are not deemed to be significant in nature, and are therefore not reported as part of this statement.

**Signed on behalf of Carlisle City Council**

---

John Mallinson  
Leader of Council

---

Jason Gooding  
Chief Executive

---

Alison Taylor  
Corporate Director of Finance & Resources

Date: 30 July 2019

## SECTION 7 - FINANCIAL ABBREVIATIONS USED IN THIS DOCUMENT

<b>AGS</b>	<b>Annual Governance Statement</b>
<b>AMP</b>	<b>Asset Management Plan</b>
<b>CAA</b>	<b>Capital Adjustment Account</b>
<b>CFR</b>	<b>Capital Financing Requirement</b>
<b>CIPFA</b>	<b>Chartered Institute of Public Finance and Accountancy</b>
<b>CIES</b>	<b>Comprehensive Income and Expenditure Statement</b>
<b>DWP</b>	<b>Department for Work and Pensions</b>
<b>DFG</b>	<b>Disabled Facilities Grant</b>
<b>FRS</b>	<b>Financial Reporting Standards</b>
<b>IIA</b>	<b>Institute of Internal Auditors</b>
<b>IAS</b>	<b>International Accounting Standards</b>
<b>ISA</b>	<b>International Standards in Auditing</b>
<b>IFRS</b>	<b>International Financial Reporting Standards</b>
<b>JMT</b>	<b>Joint Management Team</b>
<b>LASAAC</b>	<b>Local Authority (Scotland) Accounts Advisory Committee</b>
<b>LGPS</b>	<b>Local Government Pension Scheme</b>
<b>MHCLG</b>	<b>Ministry for Housing, Communities and Local Government</b>
<b>MTFP</b>	<b>Medium Term Financial Plan</b>
<b>MRP</b>	<b>Minimum Revenue Provision</b>
<b>NNDR</b>	<b>National Non-Domestic Rates</b>
<b>PPE</b>	<b>Property, Plant and Equipment</b>
<b>PSIAS</b>	<b>Public Sector Internal Auditing Standards</b>
<b>RSG</b>	<b>Revenue Support Grant</b>
<b>SeRCOP</b>	<b>Service Reporting Code of Practice</b>
<b>SMT</b>	<b>Senior Management Team</b>
<b>VFM</b>	<b>Value of Money</b>
<b>WGA</b>	<b>Whole of Government Accounts</b>